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The Commonwealth of Massachusetts

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 1986

Michael S. Dukakis, *Governor*
Frank T. Keefe, *Administration and Finance Secretary*
Ellen M. O'Connor, *Comptroller*

THE COMMONWEALTH OF MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 1986

EXECUTIVE OFFICE FOR ADMINISTRATION AND FINANCE

COMPTROLLERS DIVISION

Comprehensive Annual Financial Report
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Introductory Section

Constitutional Officers

CONSTITUTIONAL OFFICERS

Michael S. Dukakis ..... Governor

[Vacant] ..... Lieutenant-Governor

Michael Joseph Connolly ..... Secretary of the Commonwealth

Francis X. Bellotti ..... Attorney General

Robert Q. Crane ..... Treasurer and Receiver-General

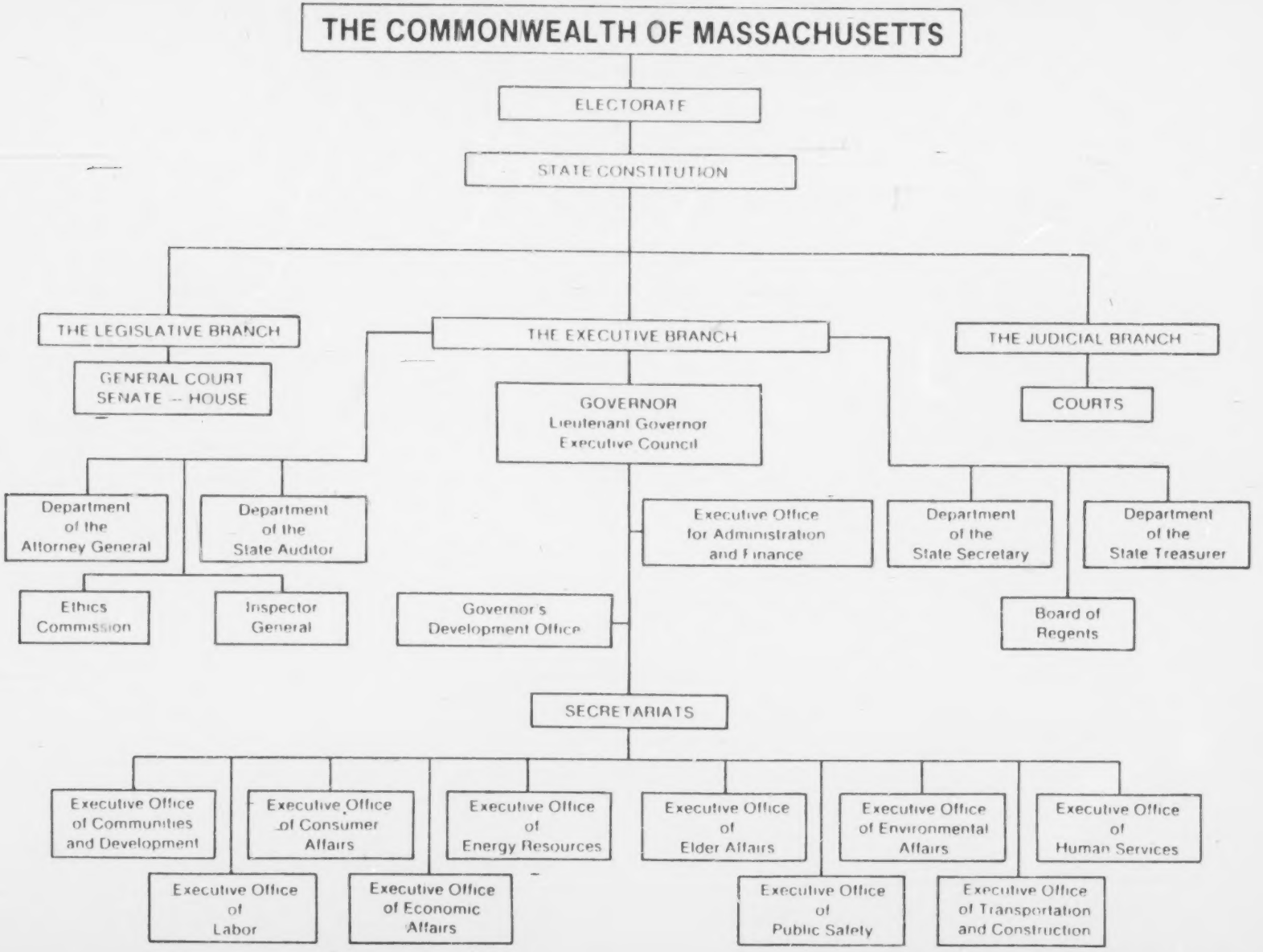
John J. Finnegan ..... Auditor

LEGISLATIVE OFFICERS

William M. Bulger ..... President of the Senate

George Keverian ..... Speaker of the House

CHART OF STATE ORGANIZATION



COMPTROLLER'S DIVISION
ELLEN M. O'CONNOR
COMPTROLLER

The Commonwealth of Massachusetts

Executive Office for Administration and Finance

1 Ashburton Place
Boston, Massachusetts 02108

January 14, 1987

To the Citizens of the Commonwealth of Massachusetts,
Governor Michael S. Dukakis, and the Honorable Members of
the General Court:

In accordance with Section 33 of Chapter 7 of the General Laws, I am pleased to transmit the Comprehensive Annual Financial Report for the fiscal year ended June 30, 1986. This report includes financial statements prepared in accordance with generally accepted accounting principles (GAAP), as well as financial statements prepared on a budgetary basis of accounting. The Comptroller's Division is responsible for the fair presentation of the statements on the Commonwealth's financial position and results of its operations. I believe this report includes the necessary information for the reader to obtain a comprehensive understanding of the Commonwealth's financial affairs.

The financial condition of the Commonwealth is strong on both a budgetary and GAAP basis of accounting. Under the budgetary basis, which is primarily used for developing budgets and for controlling daily activities, the Commonwealth's performance resulted in an undesignated General Fund balance of $333 million and total fund equity of $728 million at June 30, 1986. Under the GAAP basis, which conforms with the financial reporting standards for governments and meets the informational needs of the financial community, the performance resulted in an undesignated General Fund balance of $218 million and a total fund equity of $623 million.

INDEPENDENT AUDIT

Touche Ross & Co. has performed an independent audit of the Commonwealth's GAAP and budgetary basis financial statements in accordance with generally accepted auditing standards for the fiscal year ended June 30, 1986. Their reports are contained in the Financial Section which follows.

THE REPORTING ENTITY

The Comprehensive Annual Financial Report includes the various departments, agencies, boards and commissions governed by the legislature, judiciary and/or constitutional officers of the Commonwealth of Massachusetts, independent authorities and other organizations over which oversight authority is exercised. These entities were selected to be included in this report as an integral part of state government based on criteria outlining the ability to exercise oversight responsibility.

In addition, the GAAP financial statements this year include for the first time as Enterprise Funds, thirteen entities (component units) which meet the oversight criteria established by Statement 3 of the National Council on Governmental Accounting (NCGA) and embodied by the Governmental Accounting Standards Board (GASB). (A complete list of the entities included can be found in the Notes to the Financial Statements — Fund Accounting Section.) Information detailing the financial activity of each enterprise entity appears in the Combining Financial Statements for Enterprise Funds.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The Commonwealth maintains its accounts on a budgetary basis of accounting to comply with the law. The budgetary accounts are adjusted to reflect generally accepted accounting principles through the compilation of separately selected information provided by the Commonwealths' agencies.

The Comonwealth's GAAP financial statements for general governmental operations, the expendable trust funds and the agency funds have been prepared on the modified accrual basis of accounting, meaning revenues are recorded when measurable and available; expenditures are recorded when services or goods are received and liabilities incurred. The enterprise, nonexpendable trust and pension trust funds are accounted for on the accrual basis of accounting.

The Commonwealth's budgetary financial statements are recorded on a modified cash basis of accounting which means revenues are recognized when received, except for Federal reimbursements which are recorded as receivables when expenditures are incurred. Expenditures are recognized when paid.

Budgetary control is exercised by legislative authorization of expenditures appearing in the Commonwealth's annual budget. The Comptroller's Division has the responsibility to ensure that budgetary control is maintained. Open encumbrances are reported as a reservation of fund balance at June 30, 1986. The designated fund balance for continuing appropriations is used as a control mechanism to monitor unencumbered expenditures.

GENERAL GOVERNMENT OPERATIONS

The Commonwealth's General and Special Revenue Funds are highlighted by an increase in revenue on the budgetary basis of $1.5 billion over fiscal 1985, an increase of 15.3%.

There are two principal reasons for the increase. One reason is a voluntary compliance phenomenon launched as a result of increased Department of Revenue collection efforts. They estimate $1 billion of their increased tax revenue over a three year period is due to increased voluntary compliance by all taxpayer groups. This phenomenon accounted for a $564 million increase in tax revenue for fiscal 1986.

The second reason is more clearly defined, enforced monitoring completed at June 30, 1986 for cash receipts. Tighter control of year end cutoff procedures were implemented and received positive compliance from the Commonwealth's revenue receiving agencies.

REVENUES:	**1986** (in thousands)	**1985**	**Percent Change**
Taxes:			
Income	$3,617,499	$3,158,971	
Sales and Use	1,711,538	1,438,003	
Corporations	799,004	665,928	
Other	1,383,141	1,160,885	
Subtotal	7,511,182	6,423,787	16.9%
Federal Reimbursements and Grants	2,058,525	1,855,389	10.9%
Assessments, Departmental and Other	1,841,933	1,617,476	13.9%
Total Revenues	**$11,411,640**	**$9,896,652**	15.3%

Major increases include:

$459 million for personal income tax attributable to increased withholding and estimated tax collections. The fact that this increase is up 14.5% over the fiscal 1985 increase reflects the continued and renewed diligent efforts of the Department of Revenue for tax compliance and the voluntary compliance phenomenon as noted above.

$274 million increases in sales and use taxes is a result of the continued strong Commonwealth economy reflected in taxable retail sales growth.

$224 million upswing in assessments and departmental revenue is primarily attributable to the increased receipts of the Lottery.

The Commonwealth's General and Special Revenue Funds reflect expenditures of $10.4 billion which is an increase over fiscal 1985 of 7.5%

EXPENDITURES:	1986	1985	Percent Change
	(in thousands)		
Grants to Agencies and Local Governments			
Legislative and Elective Offices	$ 3,418	$ 1,303	
Judiciary	340	4,923	
Administration and Finance	2,455	2,239	
Environmental Affairs	15,264	15,932	
Communities and Development	154,334	143,509	
Human Services	189,010	164,737	
Transportation and Construction	2,966	4,831	
Education	269,375	238,532	
Public Safety	14,967	816	
Economic Affairs	120,823	108,165	
Elder Affairs	20,822	21,517	
Consumer Affairs	51	10	
Energy Resources	3,072	2,205	
Labor	453	502	
Subtotal	797,350	709,221	12.4%
Operations of State Government	9,441,346	8,373,916	12.7%
Debt Service and Financial Agreements	552,085	466,419	11.9%
Total Expenditures	10,760,781	9,549,556	12.7%
Net Other Financing Sources (Uses)	(296,334)	148,524	
Total Expenditures and Net Other **Financing Uses**	**$10,464,447**	**$9,698,080**	7.9%

Major increases in expenditures were:

$210.3 million increase in amount provided to reduce the unfunded pension liability.

$88.1 million increase in local aid sent to cities and towns.

CASH MANAGEMENT

Cash is controlled by the State Treasurer by law. All cash deposited with the State Treasurer by Commonwealth agencies is managed in pooled investment funds to maximize interest earnings. The Treasurer invests excess cash from its general accounts in short-term securities and a variety of other instruments. The average daily invested balance for fiscal year 1986 was almost $1.2 billion dollars. The interest earned for the year was $87.5 million. The portfolio was invested as follows: 47.09% in Repurchase Agreements, 0.08% in U.S. Government Securities, 43.22% in Commercial Paper, 4.30% in Bank Holding Company Paper, and 5.31% in Certificates of Deposit. The average yield in fiscal year 1986 was 7.621% with maturities ranging from one day to one year.

DEBT MANAGEMENT

The following table sets forth the Commonwealth's total general obligation bonded indebtedness outstanding at June 30 for each of the last five years and the ratio of such indebtedness to certain economic indicators.

Fiscal Year	Amount (in thousands)	Ratio to Estimated Full Value of Real Estate	Ratio to Personal Income
1982	$2,920,485	2.32%	4.53%
1983	3,181,609	2.53	4.38
1984	3,346,000	2.25	4.24
1985	3,424,646	2.30	3.98
1986	3,645,248	1.64	3.82

The strong economy of Massachusetts has generated increasing property values and personal income at a higher percentage than the increase of the debt burden. The result is an improvement each year in the ratios comparing the debt burden to property and personal income.

Approximately 34% of the principal amount of "Commonwealth General Obligation Bonds" outstanding is scheduled for retirement within five years and approximately 65% within ten years.

During the fiscal year ending June 30, 1986, the Commonwealth issued $480.1 million in General Obligation Bonds bearing interest rates from 4.5 — 9%, of which $265.1 million were used for Highway Capital Projects and the balance were used for various general capital projects. The volume of bonds issued in fiscal 1986 is approximately equal to the Commonwealth capital spending program and reflects the debt management policy of the Commonwealth to maintain the balance between capital spending and bonded debt issuance on a statewide basis.

During fiscal 1986 $227.5 million of bonded debt was redeemed. The outstanding debt at June 30, 1986 was $3,677.0 million. There were no Temporary Loans outstanding at June 30, 1986.

SIGNIFICANT ACHIEVEMENTS

This comprehensive annual financial report represents a milestone for the Commonwealth of Massachusetts. This is the culminating year of a three year project to convert the Commonwealth's financial statements to GAAP basis accounting. I am pleased to present full GAAP financial statements for the first time in this annual report.

In addition, the Commonwealth commissioned a State Single Audit to be completed for fiscal 1986. The Single Audit encompasses all federal financial assistance received by the Commonwealth of Massachusetts, including its colleges and universities. This audit consolidates and replaces the vast majority of financial and compliance audits on federal programs done by a variety of federal agencies.

FINANCIAL PROSPECTS

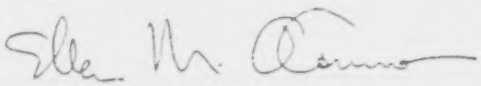
The future of Massachusetts is bright. The economy is strong and growing. State and local governments have achieved enviable positions of fiscal stability. The Commonwealth is already hard at work on the critical problems of the future. These issues will be addressed with the same kind of practical but compassionate government that produced the Massachusetts success story of today: efficient management, prudent public investments, and attention to the burden placed on the taxpayers of the Commonwealth. Meticulous application of this philosophy will enable us to improve further the excellent financial condition of the Commonwealth of Massachusetts, the economy on which it rests, and the well-being of its people.

CONCLUSION

This report demonstrates the continued commitment by the Comptroller's Division to improve the management of state government. The use of generally accepted accounting principles in this report confirms our progress toward making our financial reporting practices consistent with the highest professional standards. Through the use of automated systems such as the Massachusetts Management Accounting and Reporting System (MMARS), being implemented in fiscal year 1987, the Commonwealth will provide better management information and also enable tighter fiscal management and control.

I wish to express my sincere appreciation to the many individuals whose dedicated efforts made this report possible. The staff of the Commonwealth's departments, the State Treasurer's Office, and the Management and Financial Reporting Bureau and the Accounting Bureau within the Comptroller's Division deserve special acknowledgement. Without their professionalism and dedication, this report would not have been accomplished.

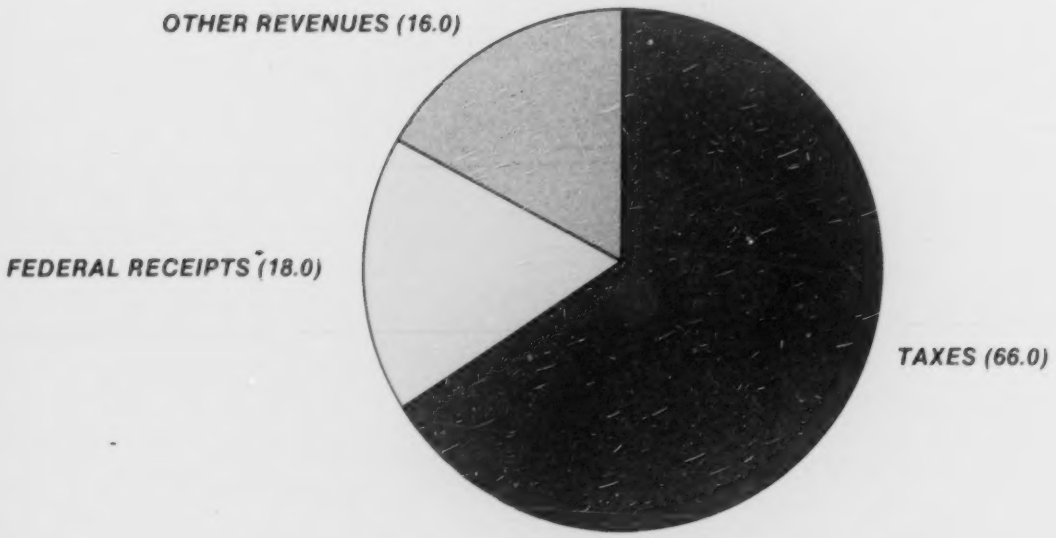
Respectfully submitted,



Ellen M. O'Connor
Comptroller

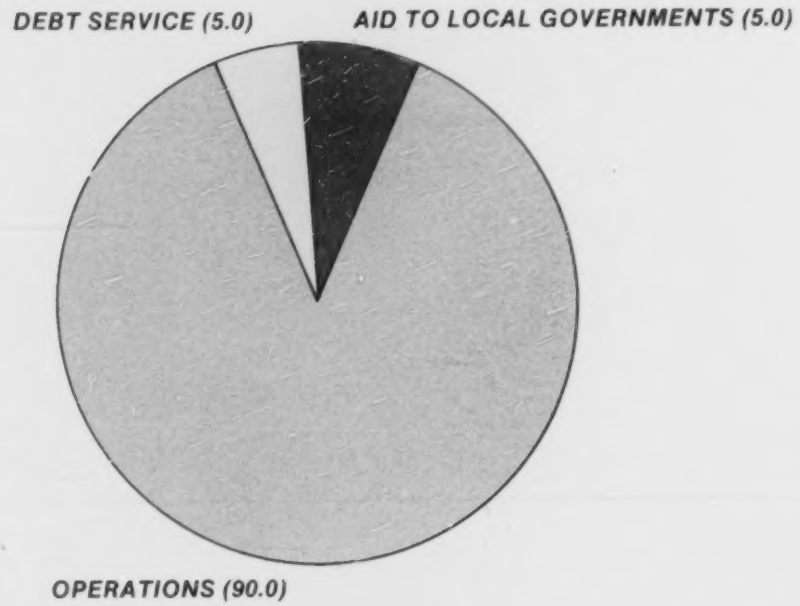
COMPARATIVE STATEMENT OF REVENUES 1986

GENERAL & SPECIAL REVENUE FUNDS — BUDGETARY



COMPARATIVE STATEMENT OF EXPENDITURES

GENERAL & SPECIAL REVENUE FUNDS — BUDGETARY



Financial Section

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Touche Ross

Ms. Ellen M. O'Connor, Comptroller
The Commonwealth of Massachusetts

We have examined the general purpose financial statements of the Commonwealth of Massachusetts, as of and for the year ended June 30, 1986, as listed in the table of contents. Except as explained in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Enterprise Funds, which represent the amounts shown as the Proprietary Fund Type. We also did not examine the financial statements of the Treasurer's Fixed Income Securities Trust, Treasurer's Management Trust and the Pension Reserve Investment Trust, investment vehicles for the Commonwealth's Pension Trust Funds, whose net assets available for benefits represent all of the investments of the Fiduciary Fund Types. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion expressed herein, insofar as it relates to the amounts shown as the Proprietary Fund Type and the amounts shown as investments in the Fiduciary Fund Types, is based solely upon the reports of the other auditors.

The general purpose financial statements referred to above include the General Fixed Assets Account Group and the related financial data presented in Note 5, which are unaudited.

As discussed in Note 10, retirement expenditures represent amounts contributed by the Commonwealth, determined primarily on a "pay-as-you-go" basis. Generally accepted accounting principles require that retirement expenditures be based on an acceptable actuarial cost method.

In our opinion, based upon our examination and the reports of other auditors, except for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had we audited the General Fixed Assets Account Group referred to in the second paragraph, and except for the effects of not recording retirement expenditures based on an acceptable actuarial cost method as discussed in the third paragraph, the general purpose financial statements referred to above present fairly the financial position of the Commonwealth of Massachusetts at June 30, 1986, and the results of its operations and the changes in financial position of its Proprietary Fund Type for the year then ended, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the Commonwealth of Massachusetts. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The data included in the statistical section of this report has not been audited by us and, accordingly, we express no opinion on such data.

Touche Ross & Co.

Certified Public Accountants
Boston, Massachusetts
January 13, 1987

Combined Balance Sheet
All Fund Types and Account Groups

June 30, 1986

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and Short Term Investments	$ 1,119,841,146	$ 549,393,094	$ 34,499,606	$ 170,380,315
Amount on Deposit with U.S. Treasury	—	—	—	—
Investments	—	395,193,988	—	—
Securities on Deposit	—	—	—	—
Receivables, Net of Allowance for Uncollectibles:				
Taxes	496,562,046	179,081,051	—	—
Due from Federal Government	240,732,431	21,162,131	—	68,729,618
Loans	—	—	—	—
Other Receivables	216,717,178	17,961,059	319,264	55,198
Due from Other Funds	44,045,680	19,733,676	—	—
Inventory (at Cost)	—	—	—	—
Advances to Cities and Towns	—	5,190,685	—	—
Investments of Deferred Compensation Plan	—	—	—	—
Fixed Assets	—	—	—	—
Restricted and Other Assets	—	—	—	—
Amount Available for Retirement of Long-Term Obligations	—	—	—	—
Amount to be Provided for Retirement of Long-Term Obligations	—	—	—	—
Total Assets	**$2,117,898,481**	**$1,187,715,684**	**$34,818,870**	**$239,165,131**
Liabilities and Fund Equity				
Liabilities:				
Deficiency in Cash and Short-Term Investments	$ —	$ —	$ —	$ 416,591,333
Accounts Payable	748,495,587	155,455,637	—	73,364,946
Salaries Payable	5,722,346	1,947,863	—	28,351
Tax Refunds and Abatements Payable	216,077,460	—	—	—
Other Accrued Liabilities	130,504,929	60,972,167	—	554,762
Due to Other Funds	274,534,820	146,905,680	—	—
Deferred Revenue	119,766,143	5,567,665	—	13,699,399
Prizes Payable	—	395,193,988	—	—
Liabilities Due Depositors	—	—	—	—
Bonds Matured — Not Redeemed	—	—	19,706,542	—
Bonds and Notes Payable	—	—	—	69,800,000
School Construction Grants	—	—	—	—
Compensated Absences	—	—	—	—
Claims and Judgements	—	—	—	—
Total Liabilities	**1,495,101,285**	**766,043,000**	**19,706,542**	**574,038,791**
Fund Equity (Deficit):				
Investment in General Fixed Assets	—	—	—	—
Contributed Capital	—	—	—	—
Retained Earnings:				
Reserved	—	—	—	—
Unreserved	—	—	—	—
Fund Balances (Deficit):				
Reserved for:				
Encumbrances	89,984,392	94,738,427	—	248,112,078
Advances to Cities and Towns	—	5,190,685	—	—
Unemployment Benefits	—	—	—	—
Pension Benefits	—	—	—	—
Unreserved:				
Designated for Continuing Accounts	282,650,790	122,097,622	—	947,624,911
Designated for Specific Purpose	31,982,221	—	—	—
Designated for Debt Service	—	—	15,112,328	—
Undesignated	218,179,793	199,645,950	—	(1,530,610,649)
Total Fund Equity (Deficit)	**622,797,196**	**421,672,684**	**15,112,328**	**(334,873,660)**
Total Liabilities and Fund Equity	**$2,117,898,481**	**$1,187,715,684**	**$34,818,870**	**$239,165,131**

The accompanying notes are an integral part of the general purpose financial statements.

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES		ACCOUNT GROUPS		
Enterprise	Expendable Trust	Non-Expendable, Pension Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$ 66,082,247	$ 174,616,346	$ 919,717,234	$ —	$ —	$ 3,034,529,988
—	973,940,943	—	—	—	973,940,943
93,117,118	952,750	4,669,801,472	—	—	5,159,065,328
—	—	579,799,819	—	—	579,799,819
—	—	—	—	—	675,643,097
10,210,000	218,585	—	—	—	341,052,765
17,523,499	—	—	—	—	17,523,499
119,337,594	312,175,959	24,016,777	—	—	690,583,029
147,028,399	—	245,006,421	—	—	455,814,176
38,085,000	—	—	—	—	38,085,000
—	—	—	—	—	5,190,685
—	—	176,237,897	—	—	176,237,897
5,416,319,866	—	—	2,527,811,283	—	7,944,131,149
546,387,852	—	—	—	—	546,387,852
—	—	—	—	15,112,328	15,112,328
—	—	—	—	4,505,529,683	4,505,529,683
$6,454,091,575	$1,461,904,583	$6,614,579,620	$2,527,811,283	$4,520,642,011	$25,158,627,238
$ —	$ 121,987,763	$ —	$ —	$ —	$ 538,579,096
54,695,226	11,149,330	61,012,128	—	—	1,104,172,854
—	50,861	—	—	—	7,749,421
—	—	—	—	—	216,077,460
87,494,744	8,197,123	7,000	—	—	287,730,725
34,373,676	—	—	—	—	455,814,176
97,229,131	4,002,799	—	—	—	240,265,137
—	—	—	—	—	395,193,988
—	—	1,565,147,220	—	—	1,565,147,220
—	—	—	—	—	19,706,542
1,591,059,000	99,600,000	—	—	3,676,996,338	5,437,455,338
—	—	—	—	747,527,103	747,527,103
—	—	—	—	83,618,570	83,618,570
—	—	—	—	12,500,000	12,500,000
1,864,851,777	244,987,876	1,626,166,348	—	4,520,642,011	11,111,537,630
—	—	—	2,527,811,283	—	2,527,811,283
4,474,874,074	—	—	—	—	4,474,874,074
19,497,474	—	—	—	—	19,497,474
94,868,250	—	—	—	—	94,868,250
—	—	—	—	—	432,834,897
—	—	—	—	—	5,190,685
—	1,089,770,168	—	—	—	1,089,770,168
—	—	4,965,992,614	—	—	4,965,992,614
—	—	—	—	—	1,352,373,323
—	127,146,539	22,420,658	—	—	181,549,418
—	—	—	—	—	15,112,328
—	—	—	—	—	(1,112,784,906)
4,589,239,798	1,216,916,707	4,988,413,272	2,527,811,283	—	14,047,089,608
$6,454,091,575	$1,461,904,583	$6,614,579,620	$2,527,811,283	$4,520,642,011	$25,158,627,238

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

for the fiscal year ended June 30, 1986

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues:						
Income Tax	$2,124,793,692	$1,396,363,127	$ –	$ –	$ –	$ 3,521,156,819
Sales Tax	1,034,255,996	690,568,664	–	–	–	1,724,824,660
Corporate Tax	498,969,000	335,135,000	–	–	–	834,104,000
Other Taxes	1,095,320,571	286,720,288	–	–	440,993,239	1,823,034,098
Assessments	18,537,633	1,706,195	–	–	–	20,243,828
Federal Grants and Reimbursements	1,286,322,993	844,837,370	–	122,358,762	63,439,759	2,316,958,884
Departmental	720,492,177	1,281,297,922	–	930,600	656,100,679	2,658,821,378
Miscellaneous	38,026,300	110,103	522,790,340	–	70,151	560,996,894
Total Revenues	**6,816,718,362**	**4,836,738,669**	**522,790,340**	**123,289,362**	**1,160,603,828**	**13,460,140,561**
Expenditures:						
Legislature	41,856,268	–	–	23,747	–	41,880,015
Inspector General	1,124,645	–	–	–	–	1,124,645
Judiciary	51,745,941	216,516,250	–	173,296	38,159	268,473,646
Executive	5,025,772	2,865,555	–	791,642	7,588	8,690,557
Secretary of the Commonwealth	7,745,790	575,893	–	4,678,017	3,060	13,002,760
Treasurer and Receiver-General	199,764,882	1,514,727,172	520,576,496	–	–	2,235,068,550
Auditor of the Commonwealth	6,346,963	2,711,111	–	–	201,691	9,259,765
Attorney General	22,591,792	967,659	–	–	60,265	23,619,716
Ethics Commission	724,947	–	–	–	–	724,947
Administration and Finance	418,136,382	336,803,988	–	16,830,670	394,462,150	1,166,233,190
Environmental Affairs	67,175,122	116,156,626	–	143,870,139	842,605	328,044,492
Communities and Development	110,108,524	155,453,005	–	44,679,683	1,255,558	311,496,770
Human Services	3,732,899,161	220,458,500	–	61,096,325	6,004,641	4,020,458,627
Transportation and Construction	27,799,586	173,584,714	–	321,531,775	1,398,440	524,314,515
Education	869,708,963	1,637,292,086	–	37,190,782	232,466,097	2,776,657,928
Public Safety	32,086,405	80,059,182	–	22,724	223,371	112,391,682
Economic Affairs	29,141,955	121,504,196	–	–	465,185,267	615,831,418
Elder Affairs	114,047,074	16,196,442	–	–	78,754	130,322,270
Consumer Affairs	19,720,157	2,520,614	–	–	7,210	22,247,981
Energy Resources	2,109,081	3,310,012	–	1,312,933	128,096	6,860,122
Labor	9,957,007	429,913	–	–	334,955	10,721,875
Debt Service:						
Principal Retirement	173,420,763	54,139,934	–	–	–	227,560,697
Interest and Fiscal Charges	238,481,481	56,042,812	–	–	–	294,524,293
Total Expenditures	**6,181,718,661**	**4,712,315,664**	**520,576,496**	**632,201,733**	**1,102,697,907**	**13,149,510,461**

Excess (Deficiency) of Revenues Over Expenditures	634,999,701	124,423,005	2,213,844	(508,912,371)	57,905,921	310,630,100
Other Financing Sources (Uses):						
Proceeds of General Obligation Bonds	—	—	—	480,098,196	—	480,098,196
Increase in Temporary Notes	—	—	—	—	2,600,000	2,600,000
Transfers In	105,280,433	585,169,791	—	202,084,224	416,000	892,950,448
Transfers Out	(701,805,239)	(715,643,501)	—	(220,227,200)	(832,000)	(1,638,507,940)
Total Other Financing Sources (Uses)	**(596,524,806)**	**(130,473,710)**	**—**	**461,955,220**	**2,184,000**	**(262,859,296)**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	38,474,895	(6,050,705)	2,213,844	(46,957,151)	60,089,921	47,770,804
Fund Equity (Deficit) at Beginning of Year	584,322,301	427,723,389	12,898,484	(287,916,509)	1,156,826,786	1,893,854,451
Fund Equity (Deficit) at End of Year	**$622,797,196**	**$421,672,684**	**$15,112,328**	**$(334,873,660)**	**$1,216,916,707**	**$1,941,625,255**

The accompanying notes are an integral part of the general purpose financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL GENERAL AND SPECIAL REVENUE FUNDS

for the fiscal year ended June 30, 1986

	GENERAL FUND		
	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)
Revenue:			
Taxes	$ 4,485,060,000	$ 4,782,532,189	$ 297,472,189
Assessments	—	20,599,854	20,599,854
Federal Grants and Reimbursements	1,133,667,000	1,216,420,948	82,753,948
Departmental	590,954,000	520,019,283	(70,934,717)
Miscellaneous	—	25,399,018	25,399,018
Total Revenue	**6,209,681,000**	**6,564,971,292**	**355,290,292**
Expenditures:			
Legislature	43,708,421	41,498,239	2,210,182
Inspector General	1,178,235	1,084,608	93,627
Judiciary	54,547,973	54,905,079	(357,106)
Executive	3,900,675	3,827,563	73,112
Secretary of the Commonwealth	9,806,197	10,177,887	(371,690)
Treasurer and Receiver-General	306,716,183	198,141,297	108,574,886
Auditor of the Commonwealth	6,350,408	6,363,619	(13,211)
Attorney General	14,576,498	14,144,062	432,436
Ethics Commission	864,926	774,590	90,336
Administration and Finance	397,453,035	431,242,289	(33,789,254)
Environmental Affairs	84,212,708	72,571,857	11,640,851
Communities and Development	112,233,527	110,425,986	1,807,541
Human Services	3,629,308,680	3,630,295,719	(987,039)
Transportation and Construction	188,147,768	174,528,686	13,619,082
Education	773,673,531	665,158,794	108,514,737
Public Safety	33,750,300	31,669,925	2,080,375
Economic Affairs	31,131,640	30,719,216	412,424
Elder Affairs	114,130,140	126,842,765	(12,712,625)
Consumer Affairs	19,831,615	20,828,229	(996,614)
Energy Resources	2,161,341	2,186,175	(24,834)
Labor	13,146,020	10,094,082	3,051,938
Debt Service:			
Principal Retirement	173,420,763	173,420,763	—
Interest and Fiscal Charges	226,043,829	238,481,481	(12,437,652)
Total Expenditures	**6,240,294,413**	**6,049,382,911**	**190,911,502**
Excess (Deficiency) of Revenues Over Expenditures	(30,613,413)	515,588,381	546,201,794
Other Financing Sources (Uses):			
Transfers In	76,229,000	105,280,433	29,051,433
Transfers Out	(131,991,000)	(395,739,466)	(263,748,466)
Balances Reverted:			
Appropriation-Budgetary	93,209,000	—	(93,209,000)
Accounts Payable-Operations	46,441,000	57,908,452	11,467,452
State Assumption of MDC Parks Assessments	—	—	—
Increase (Decrease) in Bonds Authorized and Federal Reimbursements Receivable	—	—	—
Total Other Financing Sources (Uses)	**83,888,000**	**(232,550,581)**	**(316,438,581)**
Excess of Revenue and Other Financing Sources Over Expenditures and Other Uses	53,274,587	283,037,800	229,763,213
Fund Equity at Beginning of Year	444,766,158	444,766,158	—
Fund Equity at End of Year	**$498,040,745**	**$727,803,958**	**$229,763,213**

The accompanying notes are an integral part of the general purpose financial statements.

SPECIAL REVENUE FUNDS			TOTALS (Memorandum Only)		
1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)
$2,621,600,000	$2,725,133,195	$103,533,195	$7,106,660,000	$7,507,665,384	$401,005,384
2,327,000	4,033,151	1,706,151	2,327,000	24,633,005	22,306,005
11,813,000	17,186,310	5,373,310	1,145,480,000	1,233,607,258	88,127,258
167,012,882	190,335,914	23,323,032	757,966,882	710,355,197	(47,611,685)
191,800	154,203	(37,597)	191,800	25,553,221	25,361,421
2,802,944,682	**2,936,842,773**	**133,898,091**	**9,012,625,682**	**9,501,814,065**	**489,188,383**
—	—	—	43,708,421	41,498,239	2,210,182
—	—	—	1,178,235	1,084,608	93,627
219,783,432	215,683,589	4,099,843	274,331,405	270,588,668	3,742,737
—	—	—	3,900,675	3,827,563	73,112
—	—	—	9,806,197	10,177,887	(371,690)
717,684,118	827,084,960	(109,400,842)	1,024,400,301	1,025,226,257	(825,956)
2,721,604	2,729,392	(7,788)	9,072,012	9,093,011	(20,999)
697,896	641,001	56,895	15,274,394	14,785,063	489,331
—	—	—	864,926	774,590	90,336
352,191,560	334,596,831	17,594,729	749,644,595	765,839,120	(16,194,525)
76,859,347	68,307,240	8,552,107	161,072,055	140,879,097	20,192,958
5,495,538	4,598,172	897,366	117,729,065	115,024,158	2,704,907
13,001,235	12,951,320	49,915	3,642,309,915	3,643,247,039	(937,124)
240,866,581	229,625,912	11,240,669	429,014,349	404,154,598	24,859,751
1,352,413,218	1,344,585,172	7,828,046	2,126,086,749	2,009,743,966	116,342,783
77,900,657	71,501,204	6,399,453	111,650,957	103,171,129	8,479,828
—	—	—	31,131,640	30,719,216	412,424
—	—	—	114,130,140	126,842,765	(12,712,625)
2,639,645	2,466,848	172,797	22,471,260	23,295,077	(823,817)
—	—	—	2,161,341	2,186,175	(24,834)
—	—	—	13,146,020	10,094,082	3,051,938
49,188,759	54,139,934	(4,951,175)	222,609,522	227,560,697	(4,951,175)
52,484,149	56,042,812	(3,558,663)	278,527,978	294,524,293	(15,996,315)
3,163,927,739	**3,224,954,387**	**(61,026,648)**	**9,404,222,152**	**9,274,337,298**	**129,884,854**
(360,983,057)	(288,111,614)	72,871,443	(391,596,470)	227,476,767	619,073,237
404,451,000	573,839,892	169,388,892	480,680,000	679,120,325	198,440,325
(21,812,000)	(248,408,549)	(226,596,549)	(153,803,000)	(644,148,015)	(490,345,015)
11,791,000	—	(11,791,000)	105,000,000	—	(105,000,000)
7,419,000	8,082,375	663,375	53,860,000	65,990,827	12,130,827
(2,072,000)	(2,025,393)	46,607	(2,072,000)	(2,025,393)	46,607
3,273,000	—	(3,273,000)	3,273,000	—	(3,273,000)
403,050,000	**331,488,325**	**(71,561,675)**	**486,938,000**	**98,937,744**	**(388,000,256)**
42,066,943	43,376,711	1,309,768	95,341,530	326,414,511	231,072,981
140,430,691	140,430,691	—	585,196,849	585,196,849	—
$182,497,634	**$183,807,402**	**$1,309,768**	**$680,538,379**	**$911,611,360**	**$231,072,981**

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND EQUITY ENTERPRISE FUNDS, NON-EXPENDABLE TRUST FUND AND PENSION TRUST FUNDS

for the fiscal year ended June 30, 1986

	Proprietary Fund Type	Fiduciary Fund Types		Total (Memorandum Only)
	Enterprise Funds	Non-Expendable Trust Fund	Pension Trust Funds	
Revenues:				
Federal Grants and Reimbursements	$ —	$ 68,338	$ —	$ 68,338
Departmental	—	6,280,710	—	6,280,710
Contributions	—	—	398,443,116	398,443,116
Investment Earnings	—	—	916,145,152	916,145,152
Charges for Services	176,229,424	—	—	176,229,424
Donations	7,980,476	—	—	7,980,476
Other	1,473,000	—	—	1,473,000
Total Revenues	**185,682,900**	**6,349,048**	**1,314,588,268**	**1,506,620,216**
Expenses:				
Education	—	54,502	42,334,346	42,388,848
Other Governmental Charges	—	250,033	180,996,577	181,246,610
Operating Expenses:				
Cost of Services	449,354,228	—	—	449,354,228
Depreciation	93,662,666	—	—	93,662,666
Total Expenses	**543,016,894**	**304,535**	**223,330,923**	**766,652,352**
Operating Income (Loss)	(357,333,994)	6,044,513	1,091,257,345	739,976,864
Non-Operating Revenues (Expenses):				
Operating Grants	31,054,063	—	—	31,054,063
Interest Income	25,137,701	—	—	25,137,701
Other Revenues	2,847,913	—	—	2,847,913
Interest Expense	(102,587,560)	—	—	(102,587,560)
Other Expenses	(15,828,596)	—	—	(15,828,596)
Total Non-Operating Revenues (Expenses)	**(59,376,479)**	—	—	**(59,376,479)**
Income (Loss) Before Transfers and Extraordinary Items	(416,710,473)	6,044,513	1,091,257,345	680,591,385

Transfers In	364,673,871	416,000	380,467,621	745,557,492
Extraordinary Item — Loss on Defeasance	(17,963,084)	—	—	(17,963,084)
Net Income (Loss)	(69,999,686)	6,460,513	1,471,724,966	1,408,185,793
Add: Depreciation of Cost of Assets Acquired from Contributed Capital	76,031,556	—	—	76,031,556
Increase in Retained Earnings/ Fund Equity	6,031,870	6,460,513	1,471,724,966	1,484,217,349
Retained Earnings/Fund Equity at Beginning of Year	108,333,854	15,960,145	3,494,267,648	3,618,561,647
Retained Earnings/ Fund Equity at End of Year	**$114,365,724**	**$22,420,658**	**$4,965,992,614**	**$5,102,778,996**

The accompanying notes are an integral part of the general purpose financial statements.

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION ENTERPRISE FUNDS, NON-EXPENDABLE TRUST FUND AND PENSION TRUST FUNDS

for the fiscal year ended June 30, 1986

	Enterprise Funds	Non-Expendable Trust Fund	Pension Trust Funds	Total (Memorandum Only)
SOURCES OF FINANCIAL RESOURCES:				
Operations:				
Net Income (Loss)	$(69,999,686)	$6,460,513	$1,471,724,966	$1,408,185,793
Expenses not Requiring Current Outlay of Financial Resources:				
Depreciation and Amortization	93,662,666	—	—	93,662,666
Loss on Defeasance	17,963,084	—	—	17,963,084
Other	120,000	—	—	120,000
Total Sources of Financial Resources from Operations	**41,746,064**	**6,460,513**	**1,471,724,966**	**1,519,931,543**
Increase (Decrease) in Accounts Payable	20,668,219	108,375	(74,194,226)	(53,417,632)
Increase in Other Accrued Liabilities	20,469,904	7,000	—	20,476,904
Increase (Decrease) in Due to Other Funds	8,975,000	—	119,221,947	128,196,947
Increase (Decrease) In Deferred Revenue	30,178,296	—	—	30,178,296
Issuance of Bonds and Notes Payable	651,725,000	—	—	651,725,000
Contributed Capital	2,549,071,250	—	—	2,549,071,250
Total Sources of Financial Resources	**3,322,833,733**	**6,575,888**	**1,516,752,687**	**4,846,162,308**
USES OF FINANCIAL RESOURCES:				
Increase in Investments	16,748,574	—	1,335,393,833	1,352,142,407
Increase (Decrease) in Receivables	(6,610,688)	2,761,119	(46,728,467)	(50,578,036)
Increase in Due from Other Funds	6,287,581	—	245,006,421	251,294,002
Increase in Inventory	13,576,000	—	—	13,576,000
Increase in Restricted and Other Assets	319,983,172	—	—	319,983,172
Acquisition of Fixed Assets	2,751,433,706	—	—	2,751,433,706
Retirement of Bonds and Notes Payable	205,005,628	—	—	205,005,628
Total Uses of Financial Resources	**3,306,423,973**	**2,761,119**	**1,533,671,787**	**4,842,856,879**
Increase (Decrease) in Cash and Short-Term Investments	**$16,409,760**	**$3,814,769**	**$(16,919,100)**	**$3,305,429**

The accompanying notes are an integral part of the general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 1986

NOTE 1 — FINANCIAL STATEMENT PRESENTATION:

GENERAL

The accompanying financial statements of the Commonwealth of Massachusetts present the financial position of the various fund types and account groups, the results of operations of the various fund types and the changes in financial position of the enterprise funds, non-expendable trust fund and pension trust funds.

The financial statements include the various departments, agencies, boards and commissions governed by the legislature, judiciary and/or constitutional officers of the Commonwealth of Massachusetts and independent authorities and other organizations over which oversight authority is exercised.

These entities were selected based on the following criteria outlining the ability to exercise oversight responsibility, as defined by the Governmental Accounting Standards Board:

- Financial interdependency;
- Selection of governing authority;
- Designation of management;
- Ability to significantly influence operations;
- Accountability for fiscal matters;
- Scope of public service; and/or
- Special financing relationships

FUND ACCOUNTING

The Commonwealth records its transactions in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Transactions between funds within a fund type, if any, have been eliminated. The funds and account groups are organized into four categories as follows:

GOVERNMENTAL FUNDS:

Governmental Funds are those through which most governmental functions of the Commonwealth are financed. The acquisition, use and balances of the Commonwealth's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is on determination of changes in financial position rather than on net income.

General Fund — The General Fund is the general operating fund of the Commonwealth. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds — Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts or capital projects funds) that are legally restricted to expenditures for specified purposes.

Debt Service Funds — Debt Service Funds are used to account for the accumulation of resources for, and the future payment of, general long-term debt principal and interest, except for mini-bond payments, which are made from the General Fund.

Capital Projects Funds — Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bonds and from Federal reimbursements and State appropriations.

The Commonwealth enters into long-term contracts for construction of major capital projects and records the commitments as encumbrances. The Commonwealth pays the cost of capital projects principally from resources obtained from general obligation bond proceeds, operating transfers from the general fund and federal grants. These resources are received, in many cases, after the long-term contracts are executed and recorded as encumbrances. Accordingly, the fund equity of the capital projects fund reflects a deficit. This deficit will be funded by future bond proceeds, capital appropriations from the general fund and federal grants and reimbursements.

PROPRIETARY FUND TYPE:

ENTERPRISE FUNDS:

Enterprise Funds are used to account for the operations of self-sustaining authorities and other organizations.

The Enterprise Funds include:

Massachusetts Bay Transportation Authority, which provides transportation services in the Greater Boston Metropolitan Area.

Massachusetts Convention Center Authority, which owns and operates the John B. Hynes Veterans Memorial Convention Center and the Boston Common Parking Garage.

Massachusetts Water Resources Authority, which provides water supply services and sewage collection, treatment and disposal services to areas of the Commonwealth.

Higher Education Building Authorities, which provide, maintain, and operate dormitories, dining commons and other buildings and structures of the Universities and Colleges. The following are combined as "Higher Education Building Authorities":

University of Massachusetts Building Authority
Massachusetts State College Building Authority
Southeastern Massachusetts University Building Authority
University of Lowell Building Authority

The following entities are combined as "Other" Enterprise Funds:

Bay State Skills Corporation, which funds training programs in occupations found to be in high demand.

Government Land Bank, which aids public agencies and private enterprise in converting and developing surplus federal and state property and other substandard property in Massachusetts.

Massachusetts Community Development Finance Corporation, which invests in business enterprises located in economically depressed areas of Massachusetts, in conjunction with local community development corporations.

Massachusetts Industrial Finance Agency, which insures industrial mortgage loans and revenue bonds, and approves and/or issues industrial revenue bonds in order to stimulate industrial growth and economic development.

Massachusetts Technology Development Corporation, which provides financial and other assistance to innovative enterprises in Massachusetts which have the potential to expand and generate new jobs and tax revenues.

Massachusetts Technology Park Corporation, which creates and then will operate Centers for Excellence designed to foster economic development within the Commonwealth in conjunction with Massachusetts colleges and universities. Funding approval has been received for the first center to be known as the Microelectronics Center.

The enterprise funds do not include the Massachusetts Home Finance Agency, Massachusetts Housing Finance Agency, Massachusetts Health and Educational Facilities Authority, Massachusetts Port Authority or Massachusetts Turnpike Authority. While the activities of these entities benefit the Commonwealth and its citizens and in certain instances the Governor appoints the governing authority of the entity, the Commonwealth does not maintain a significant continuing relationship or exercise significant oversight with respect to these entities.

FIDUCIARY FUNDS:

Fiduciary Funds are used to account for assets held by the Commonwealth in a trustee capacity (Trust Funds), or as an agent (Agency Funds) for individuals, private organizations, other governmental units, and/or other funds. Trust Funds include Expendable Trust Funds, Non-Expendable Trust Fund and Pension Trust Funds.

The Expendable Trust Funds include certain trust funds of the State colleges and universities and the Unemployment Compensation Fund, which accounts for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed.

The Non-Expendable Trust Fund includes the Metropolitan District Trust and the endowment funds of the State colleges and universities.

The Pension Trust Funds include the State Employees and Teachers Annuities Funds, the State Employees and Teachers Retirement Military Accumulation Funds and the Pension Reserve Fund.

Agency Funds include the cities and towns portion of the Pension Reserve Fund and the portion of the Massachusetts Municipal Depository Trust belonging to participants other than the Commonwealth.

ACCOUNT GROUPS:

Account Groups are used to establish control and accountability over the Commonwealth's general fixed assets and long-term obligations. The Commonwealth's account groups are as follow:

General Fixed Assets Account Group — The General Fixed Assets Account Group is used to account for general fixed assets. General Fixed Assets are recorded as expenditures in the appropriate fund and capitalized annually in the General Fixed Assets Account Group in the year purchased. Land and buildings are recorded at their most recent locally assessed valuations (June 30, 1984) while machinery and equipment are recorded at cost or estimated cost. Infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) has not been capitalized. No depreciation is provided on general fixed assets.

Enterprise Fund fixed assets are capitalized upon purchase and depreciated over the estimated useful life of the asset.

General Long-Term Obligations Account Group — The General Long-Term Obligations Account Group is used to account for general obligation bonds payable, school construction grants, compensated absences and claims and judgments related to governmental activities.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies followed in preparing the accompanying financial statements are described below:

A. Basis of Accounting

Governmental Fund Types, Expendable Trust Funds, and Agency Funds are accounted for on the modified accrual basis of accounting. Revenues are recorded in the period that they become both measurable and available. Available means expected to be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues. Tax refunds payable and taxes receivable representing the estimated amounts owed to taxpayers or due to the Commonwealth on previous filings, over or under withholdings, and estimated payments are recorded as adjustments to tax revenues. Expenditures are recorded in the period in which the liability is incurred, except for interest on long-term debt which is recorded when due.

Enterprise, Non-Expendable Trust, and Pension Trust Funds are accounted for on the accrual basis of accounting.

B. Earnings on Pooled Cash

The Commonwealth follows the practice of pooling cash and cash equivalents of the General Fund, certain Special Revenue Funds, and the Capital Projects Fund. Cash Equivalents consist of short-term investments and are stated at cost. Substantially all interest earned on this pooled cash is allocated to the General Fund.

C. Investments

Investments of Enterprise Funds and Expendable Trust Funds are stated at cost. Pension Trust Fund investments are stated at market.

D. Inventories

Inventories of materials and supplies are recorded as expenditures in governmental fund types when purchased. Such inventories are not material. Inventories of Enterprise Funds are stated at cost.

E. Interfund Transactions

During the course of normal operations, the Commonwealth has numerous transactions between funds. These transactions are generally recognized as interfund transfers in the funds involved. Interfund transactions involving pooled cash are recorded as adjustments to the funds' cash accounts and, thus, may result in a fund having a deficiency in cash and short-term investments at year-end.

Interfund receivables and payables consist of the following at June 30, 1986 (amounts expressed in thousands):

General Fund:		
Due from:		
Special revenue funds — Highway Fund		$ 29,406
Enterprise funds — Massachusetts Water Resources Authority		14,640
		$ 44,046
Due to:		
Enterprise funds —	Massachusetts Bay Transportation Authority	$ 132,783
	Massachusetts Convention Center Authority	12,729
	Higher Education Building Authorities	717
	Massachusetts Technology Development Corporation	800
		147,029
Pension trust funds — Pension Reserve Fund		127,506
		$ 274,535
Special Revenue Funds:		
Due from:		
Enterprise funds — Massachusetts Water Resources Authority		**$ 19,734**
Due to:		
General fund		$ 29,406
Pension trust funds — Pension Reserve Fund		117,500
		$ 146,906

F. **Vacation and Sick Leave**

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then current rate of pay.

The Commonwealth's short-term liability for accumulated unpaid vacation and sick leave is reported in the appropriate fund, while the long-term liability is reported in the General Long-Term Obligations Account Group.

G. **Lottery Revenues and Prizes**

Revenues and prizes of the Massachusetts State Lottery and Massachusetts Arts Lottery are generally recognized as drawings are held. Certain prizes are payable in deferred installments for which the Commonwealth purchases annuities.

H. **Insurance**

The Commonwealth self-insures for casualty, theft, tort claims and other losses. Such losses are recorded as expenditures when measurable.

I. **Designated Fund Balances**

Certain unexpended and unencumbered appropriations are carried over to the ensuing fiscal year as "Designated for Continuing Accounts." These balances represent amounts appropriated for specific programs or projects which were not completed during the fiscal year and certain operating appropriations which are authorized to be brought forward to the succeeding year.

Designated for Specific Purpose represents amounts designated for specific expenditures of subsequent years.

J. **Total Columns on Combined Statements**

Total columns on the combined statements are presented to aggregate financial data of the fund types and account groups. No consolidating or other eliminations were made in arriving at the totals; thus they do not present consolidated information.

NOTE 3— BUDGETARY CONTROL:

The Governor presents an annual budget to the State Legislature, representing estimates of receipts, disbursements and other financing sources and uses anticipated during the coming fiscal year. The Commonwealth's Constitution requires that a balanced budget be submitted by the Governor to the State Legislature. The Legislature, which has full authority to amend the budget, adopts the budget by appropriating monies for expenditure in an annual appropriation bill. The Governor, before signing the bill, may veto any specific item, subject to legislative override.

Changes to this budget may be made via supplemental appropriation bills or other legislative acts which must be approved by the Legislature and signed by the Governor. For the fiscal year ending June 30, 1986, the Legislature approved increases in appropriations aggregating approximately $445,000,000.

The Comptroller's Division has the responsibility to ensure that budgetary control is maintained. Expenditures or advance expenditure commitments (purchase orders) will not be approved by the Comptroller's Division if they exceed the agency's total spending authority, which is a combination of authorized appropriations, prior appropriations continued (PAC) and portions of restricted receipts. In the Budget and Actual statements for the General Fund and Special Revenue Funds the budget represents the total spending authority. Budget and Actual statements for the Special Revenue Funds are presented for only those funds for which a budget has been adopted.

Funds for service contracts are approved only to the extent that the services will be rendered during the current fiscal year and only for services rendered after the date formal authorization is received and date stamped by the Comptroller's Division.

The following is a reconciliation of the fund equities of all fund types highlighting the major differences between the budgetary and GAAP basis of accounting (amounts expressed in thousands):

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund	Non-Expendable, Pension and Agency Funds
Fund Equity:						
Budgetary Basis	$ 727,804	$ 340,981	$ 34,500	$3,421,341	$ 966,647	$ 4,956,174
Add (Deduct):						
Cash and Short-Term Investments	10,340	17,773	—	—	59,923	691,698
Investments	—	395,194	—	(10,000)	953	—
Receivables, Net	865,443	198,470	319	43,050	212,795	24,017
Due from Other Funds	44,046	19,734	—	—	—	—
Investments of Deferred Compensation Plan	—	—	—	—	—	176,238
Advances to Cities and Towns	—	5,191	—	—	—	—
Bonds Authorized — Unissued	—	—	—	(3,701,618)	—	—
Accounts Payable	(405,736)	(62,583)	—	(73,365)	(11,149)	—
Salaries Payable	(5,722)	(1,948)	—	(28)	(51)	—
Tax Refunds and Abatements Payable	(216,077)	—	—	—	—	—
Other Accrued Liabilities	(130,505)	(60,971)	—	(555)	(8,198)	(7)
Due to Other Funds	(147,029)	(29,406)	—	—	—	—
Deferred Revenue	(119,766)	(5,568)	—	(13,699)	(4,003)	—
Prizes Payable	—	(395,194)	—	—	—	—
Liabilities for Depositors	—	—	—	—	—	(859,707)
Bonds Matured — Not Redeemed	—	—	(19,707)	—	—	—
Fund Equity:						
GAAP Basis	$622,798	$421,673	$15,112	$(334,874)	$1,216,917	$4,988,413

NOTE 4 — DEFERRED COMPENSATION PLAN:

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Commonwealth, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commonwealth (without being restricted to the provision of benefits under the plan), subject only to the claims of the Commonwealth's general creditors. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. All assets and liabilities of the plan are stated at market value.

It is the opinion of the Commonwealth's legal counsel that the Commonwealth has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The plan assets are subject to the claims of the Commonwealth's general creditors; however, to the knowledge of legal counsel, no assets have been used in the past to satisfy such claims.

Of the $176.2 million in the plan at June 30, 1986, $161.2 million was applicable to the Commonwealth while the remaining $15.0 million represents the assets of the cities and towns participating in the plan. The assets and liabilities of the deferred compensation plan are included in agency funds at June 30, 1986.

NOTE 5 — FIXED ASSETS:

ENTERPRISE FUNDS:

Fixed assets (amounts expressed in thousands) consisted of the following as of June 30, 1986:

	Depreciable Assets	Non-Depreciable Assets
Land and Improvements	$ —	$ 8,800
Structures and Improvements	2,370,732	174,103
Equipment	2,184,568	—
Construction in Progress	—	1,127,025
Less Accumulated Depreciation	(448,908)	—
Total	**$4,106,392**	**$1,309,928**

GENERAL FIXED ASSETS:

The following is a statement of changes in General Fixed Assets for the year ended June 30, 1986 (amounts expressed in thousands):

	Balance July 1, 1985	Additions	Retirements and Other Adjustments	Balance June 30, 1986
Land	$ 579,620	$ —	$ —	$ 579,620
Buildings	1,512,399	—	—	1,512,399
Machinery and Equipment	393,381	38,952	3,459	435,792
Total	**$2,485,400**	**$38,952**	**$3,459**	**$2,527,811**

NOTE 6 — BONDS AND NOTES PAYABLE:

A. **Capital Projects Fund:**

The Commonwealth of Massachusetts has issued Bond Anticipation Notes for the purpose of financing capital projects in anticipation of future bond offerings. Interest rates range from 3.875% to 4.5%, and the notes mature in 1986.

B. **Expendable Trust Fund:**

The Commonwealth has issued temporary notes to meet the operating deficits of the regional transit authorities. The interest rate is 5.25%, and the notes mature in November, 1986.

C. **Enterprise Funds:**

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY:

GENERAL TRANSPORTATION SYSTEM BONDS:

The Authority has issued bonds to provide funds to finance the plant and equipment improvement program. Interest rates range from 3.80% to 12.54%, payable semi-annually. Annual maturities of principal (amounts expressed in thousands) are as follows:

Years Ending June 30,	Amount
1987	$ 26,694
1988	26,694
1989	26,694
1990	26,694
1991	26,694
1992 and thereafter	655,288
Total	**$788,758**

The legislative act under which the Authority was established provides that, if at any time, the Authority is unable to meet any interest or principal due on any bond issued by the Authority, sufficient funds will be remitted by the Commonwealth of Massachusetts to meet such obligations.

In 1986, the Authority issued $141,760,000 of Refunding Bonds, the proceeds of the issue being used to defease the Refunded Bonds. Various government obligations were purchased which will mature at such time, and yield interest in such amount, so that sufficient monies will be available therefrom to pay principal and interest on the refunded debt as it matures. The refunding resulted in a reported loss of $25,229,000 which has been recognized as of the date of the refunding and will be offset in future years through reduced interest payments.

BOSTON METROPOLITAN DISTRICT BONDS:

These bonds were issued for transit purposes prior to formation of the Authority. The bonds mature in annual installments through 2020 with interest rates ranging from 2.90% to 9.33%. Maturities of principal (amounts expressed in thousands) are as follows:

Years Ending June 30,	Amount
1987	$ 2,872
1988	2,745
1989	2,559
1990	2,489
1991	2,470
1992 and thereafter	63,654
Total	**$ 76,789**

NOTES PAYABLE:

The aggregate amount of notes payable (amount expressed in thousands) at June 30, 1986, consisted of:

Notes payable October 1, 1986 with interest rates ranging from 5.00% to 6.00%	$ 70,000
Notes payable March 5, 1987 with interest rate of 5.25%	90,000
Commercial paper	70,000
Total	**$230,000**

MASSACHUSETTS CONVENTION CENTER AUTHORITY:

The Authority has issued bonds to partially finance the renovation and expansion of the Hynes Auditorium. Bonds outstanding (amounts expressed in thousands) as of June 30, 1986, consisted of:

Serial bonds maturing between 1986 and 2001, with interest rates ranging from 5.25% and 9.90%	$ 144,730
Term bonds maturing between 2001 and 2005 with interest rates ranging from 9.125% to 10.00%	52,245
Total	**$196,975**

Maturities of principal (amounts expressed in thousands) are as follows:

Years Ending June 30,	Amount
1987	$ 11,440
1988	8,710
1989	9,280
1990	9,935
1991	10,675
1992 and thereafter	146,935
Total	**$196,975**

The legislative act authorizing the issuance of debt securities by the Authority provides for participation by the Commonwealth of Massachusetts in the full payment of the annual debt service costs.

MASSACHUSETTS WATER RESOURCES AUTHORITY:

The Authority issued bonds totaling $150 million, the proceeds of which were used in the transition of assets to the Authority. Interest rates vary between 4.875% and 5.375%.

The amounts outstanding (amounts expressed in thousands) at June 30, 1986, are as follows:

Series A, due July 1,1989	$ 74,173
Series B, due between July, 1987 and July, 1989	74,174
Total	**$148,347**

The Authority has entered into a Guaranty Agreement with the Commonwealth of Massachusetts to secure payment of certain notes issued by the Authority. As such, the Commonwealth may guarantee up to $600 million aggregate principal amount of notes issued by the Authority. Such securities must mature by June 30, 1990, except that notes issued in anticipation of revenue shall be payable no later than one year from their date of issuance.

HIGHER EDUCATION BUILDING AUTHORITIES:

The Authorities have issued revenue and other bonds for the acquisition and construction of student housing and other facilities. Interest rates vary between 3% and 9.875%.

Approximate maturities of principal (amounts expressed in thousands) are as follows:

Years Ending June 30,	Amount
1987	$ 1,246
1988	1,321
1989	1,403
1990	1,498
1991	1,603
1992 and thereafter	143,119
Total	**$150,190**

This enabling legislation relating to the Authorities provides for financial support from the Commonwealth of Massachusetts in the form of full faith and credit guarantees.

In 1986, the Massachusetts State College Building Authority issued $61,020,000 of Refunding Bonds. A portion of the proceeds were used to defease $39,049,000 of previously issued bonds. The refunding resulted in a gain of $7,265,916.

In July of 1986, the Southeastern Massachusetts Building Authority issued $37,390,000 of bonds termed "Project and Refunding Bonds."

D. **GENERAL LONG-TERM DEBT:**

General obligation bonds are authorized and issued primarily to provide funds for state-owned capital projects and local government improvement. Under the Constitution of the Commonwealth of Massachusetts, both houses of the Legislature approve, by a separate enabling act, a loan for a specific purpose or objective. Thereafter, the issuance of bonds is made for a specified amount for part or all of the loan authorized by a particular enabling act.

General obligation bonds are paid from the Debt Service Fund, backed by the full faith and credit of the Commonwealth for the payment of the principal of and interest on the bonds.

General obligation bonds outstanding and bonds authorized but unissued (amounts expressed in thousands) as of June 30, 1986, are as follows:

	OUTSTANDING		AUTHORIZED BUT UNISSUED
Purpose	Interest Rates	Amount	Amount
General Fund	1.75% to 12%	$ 2,518,585	$ 2,078,530
Government Land Bank	5.0% to 14.1%	23,273	9,648
Federally Assisted Housing	5.6% to 9%	26,088	3,447
Highway Fund	2.9% to 12%	842,031	804,041
Inland Fisheries and Game	4.6%	280	—
State Recreation Areas	3.2% to 12%	31,262	88,118
Metropolitan Parks District	3.25% to 12%	51,104	94,456
Metropolitan Sewerage District	1.75% to 9.875%	80,347	—
Metropolitan Water District	.10% to 12%	104,026	—
Local Aid	—	—	649,000
Inter-City Bus	—	—	5,000
Total		**$3,676,996**	**$3,732,240**

As of June 30, 1986, general obligation debt service requirements for principal and interest (amounts expressed in thousands) were as follows:

Years ending June 30,	Discount	Principal	Interest	Total
1987	$ 2,800	$ 257,000	$ 263,800	$ 523,600
1988	3,000	266,000	252,000	521,000
1989	3,100	257,000	231,800	491,900
1990	3,400	260,000	217,000	480,400
1991	3,600	283,000	208,300	494,900
1992 and thereafter	307,000	2,353,996	1,069,300	3,730,296
Total	**$ 322,900**	**$3,676,996**	**$2,242,200**	**$6,242,096**

Changes in general obligation bonds (amount expressed in thousands) for the year ended June 30, 1986, are as follows:

	Outstanding as of July 1, 1985	Additions	Retirements	Outstanding as of June 30, 1986	Maturity Dates
General Fund	$ 2,408,800	$ 177,000	$ 153,900	$ 2,431,900	1987-2006
Government Land Bank	24,500	—	1,200	23,300	1987-2004
Federally Assisted Housing	26,600	—	500	26,100	1987-2023
Highway Fund	625,500	265,100	48,600	842,000	1987-2006
Inland Fisheries and Game	500	—	200	300	1987-1991
State Recreation Areas	33,800	—	2,500	31,300	1987-2004
Total Direct Debt	**3,119,700**	**442,100**	**206,900**	**3,354,900**	
Metropolitan Parks District	56,500	—	5,400	51,100	1987-2004
Metropolitan Sewerage District	86,600	—	6,300	80,300	1987-2015
Metropolitan Water District	110,200	—	6,200	104,000	1987-2025
Total District Debt	**253,300**	**—**	**17,900**	**235,400**	
General Fund-Mini Bonds	51,400	38,000	2,700	86,700	1987-1991
Total Long-Term Debt	**$ 3,424,400**	**$ 480,100**	**$ 227,500**	**$ 3,677,000**	

Subsequent to June 30, 1986, the Commonwealth has issued $165,000,000 of General Obligation Bonds maturing between 1987 and 2006, with interest rates ranging from 5.00% to 6.50%. The Commonwealth has also issued $528,000,000 Refunding Bonds for the purposes of refunding certain bonds. These bonds will mature between 1986 and 2005, with interest rates ranging from 5% to 7.125%.

NOTE 7 — SPECIAL REVENUE FUND DEFICITS:

The Special Revenue Fund includes the following funds with fund deficits (amounts expressed in thousands):

Fund	Amount
Anti-Trust Law Enforcement	$ 120
Federally Assisted Housing Bond Debt	3,150
Government Land Bank	4,847
Metropolitan Water District	3,652
State Recreation Areas	420

It is anticipated that these fund deficits will be reduced and eliminated by future appropriations from the general fund and federal grants and reimbursements.

NOTE 8 — CHANGES IN LONG-TERM OBLIGATIONS:

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 1986, are summarized below:

	General Obligation Bonds	School Construction Grants	Compensated Absences	Claims and Judgements
Balance July 1, 1985	$ 3,424,647	$ 720,600	$ 73,734	$ —
Bond issuances	480,098	—	—	—
Bond principal retirements	(227,749)	—	—	—
Net increase in school construction grants	—	26,927	—	—
Net increase in compensated absences	—	—	9,884	—
Net increase in claims and judgements	—	—	—	12,500
Balance June 30, 1986	**$3,676,996**	**$747,527**	**$83,618**	**$12,500**

NOTE 9 — SEGMENT INFORMATION — ENTERPRISE FUNDS:

Activity segments included in enterprise funds are described in Note 1. Selected financial information (amounts expressed in thousands) with respect to these segments is as follows:

	SEGMENTS				
	Transportation	Conventions and Parking	Water Supply Waste Disposal	Housing	Economic Development
Operating revenues	$ 109,815	$ 2,870	$ 61,611	$ —	$11,387
Depreciation	47,807	649	44,140	—	1,066
Operating loss	(323,944)	(2,976)	(22,873)	(5,620)	(1,921)
Non-operating revenues (expenses)	(36,560)	(15,346)	(18,270)	(2,572)	13,372
Transfers in	230,085	16,969	—	14,984	2,635
Current capital contributions	508,053	14,966	2,326,052	—	—
Fixed asset additions (deletions)	340,614	36,187	2,360,855	1,217	12,543
Total assets	3,263,796	291,691	2,547,278	255,866	95,460
Bonds and notes payable	1,095,547	196,975	148,347	150,190	—
Total capital	1,996,649	76,641	2,326,052	103,795	86,103

NOTE 10 — STATE ADMINISTERED RETIREMENT SYSTEMS:

There are two major Commonwealth retirement systems, one for employees of the Commonwealth and one for teachers of cities (except the city of Boston), towns, regional school districts and Quincy Junior College. As discussed below, the Commonwealth has also assumed responsibility for cost-of-living adjustments granted to participants in retirement systems of cities, towns and counties. Employees of certain independent authorities, agencies, the Massachusetts Bay Transportation Authority and employees of counties, cities, and towns are covered by separate retirement systems.

Funding for both the State Employees' Retirement System (SERS) and the Teachers' Retirement System (TRS) is provided primarily by employer and employee contributions. Both SERS and TRS are contributory-defined benefit plans and are administered by the SERS and TRS Retirement Boards. Members hired prior to January 1, 1975, contribute 5% of their salary. Those hired between January 1, 1975, and January 1, 1984, contribute 7%, and those hired after January 1, 1984, contribute 8%. Required annual contributions have been made by the Commonwealth determined primarily on a "pay-as-you-go" basis ($407.4 million in fiscal year 1986).

In addition to required contributions in 1986, the Commonwealth has dedicated 16.7% of the alcoholic beverage tax ($14 million), a portion of Federal grant reimbursements applicable to pension costs ($10 million) and has appropriated $356.5 million towards the unfunded liability.

For investment and management purposes, the Commonwealth has invested pension and retirement assets in the following pooled trusts:

Treasurer's Fixed Income Securities Trust (TFIST) is a combined investment fund for SERS and TRS.
Treasurer's Management Trust (TMT) is a combined investment fund for SERS and TRS.
Pension Reserve Investment Trust (PRIT) serves as the investment portfolio for the assets of SERS, TRS and local retirement boards.

Individual retirement systems investments at market value in the pooled trusts (amounts expressed in thousands) are as follows:

	TFIST	TMT	PRIT	Total
State Employees Retirement System	$ 1,108,255	$ 423,595	$ —	$ 1,531,850
Teachers Retirement System	1,404,226	423,594	—	1,827,820
Pension Reserve Funds	—	—	1,310,131	1,310,131
Total	**$2,512,481**	**$847,189**	**1,310,131**	**4,669,801**
Cost	**$2,089,121**	**$640,600**	**$1,082,732**	**$3,812,453**

The Commonwealth commissions periodic actuarial valuations of the retirement plans. The most recent valuation was performed as of January 1, 1983. The actuarial present value of accumulated plan benefits are those future periodic payments that are attributable under the plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died and (c) present employees or their beneficairies. Benefits payable under all circumstances are included to the extent they are deemed attributable to employee service rendered to the valuation date. The following is a summary of the actuarial present value of accumulated plan benefits and net assets available for benefits (amounts expressed in thousands) as of January 1, 1983:

Accumulated Plan Benefits	
Vested Benefits	$ 6,171,003
Nonvested Benefits	278,176
Total	**$6,449,179**
Net Assets Available for Benefits, at Market Value	**$2,507,983**

The results of the January 1, 1983, valuation are based upon actuarial assumptions used, the principal ones being the number of active members and pensioners of the retirement systems, mortality in accordance with the 1971 group annuity mortality table, investment returns of 7.5%, amortization of unfunded actuarial liability over thirty years, a payment growth rate of 4.5%, average annual salary increases of 6% and annual cost-of-living increases of 3%. Based on these actuarial assumptions, the pension expense for 1986 would have been approximately $674 million.

The Commonwealth updated the January 1, 1983 actuarial valuation in July, 1985 using different assumptions. These changes included an investment return of 8%, amortization of unfunded actuarial liability over forty years, payment growth rate of 6.5% and state tax revenue increase of 6.5%. Based on these actuarial assumptions, the pension expense for 1986 would have been approximately $509 million.

The Commonwealth has not provided, in the accompanying financial statements, for the difference between pension costs funded under the "pay-as-you-go method" and the amount determined under either of the above sets of assumptions.

Beginning in 1981, the Commonwealth assumed financial responsibility for cost-of-living adjustments (COLA) granted to participants in retirement systems of cities, towns and counties. The actuarially determined present value of future COLA accrued benefits granted to date as of January 1, 1983, was $882 million. Any future COLA granted by the State Legislature to employees of these plans will also be the responsibility of the Commonwealth. Expenditures for COLA are recorded when paid to the local retirement systems. During fiscal year 1986, the Commonwealth funded $62.6 million toward the COLA commitment.

NOTE 11 — COMMITMENTS:

At June 30, 1986, the Massachusetts Bay Transportation Authority had commitments of approximately $344 million relating to the program for mass transportation development. A significant portion of these commitments is expected to be reimbursed from proceeds of approved federal grants when the costs are incurred. The remaining portion will be financed by bond issues, state and local sources.

At June 30, 1986, the Massachusetts Water Resources Authority had commitments of approximately $43 million relating to a capital improvement program.

At June 30, 1986, the Massachusetts Convention Center Authority had commitments of approximately $168 million relating to the expansion of the Hynes Convention Center.

The Commonwealth's minimum future rental commitments for office space and equipment leases accounted for as operating leases (amount expressed in thousands) at June 30, 1986 are as follows:

Years ending June 30,	Office Space	Equipment	Total
1987	$ 36,674	$ 12,762	$ 49,436
1988	31,838	9,372	41,210
1989	24,283	4,344	28,627
1990	17,139	1,612	18,751
1991	5,510	65	5,575
1992 and thereafter	314	18	332
Total	**$115,758**	**$28,173**	**$143,931**

The Commonwealth also rents office space on a monthly basis as a tenant-at-will. It is likely that the Commonwealth will continue to rent some or all of this space in subsequent fiscal years. The total amount of rental payments made under tenancies-at-will for the fiscal year ended June 30, 1986, was $5,588,000. The Commonwealth's future obligations for equipment accounted for as capital leases are not material.

The Commonwealth is obligated to pay the Massachusetts Bay Transportation Authority (MBTA) and the fourteen regional transit authorities for their net cost of service (current expenses, including interest on debt, minus current income) and to advance funds sufficient to meet outstanding bonds and notes if funds are not otherwise available. The Commonwealth recovers a portion of these payments through assessments to cities and towns served by these authorities.

NOTE 12 — CONTINGENCIES:

There are a number of lawsuits pending or threatened against the Commonwealth which arose from the ordinary course of operations, including claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. For those cases in which it is probable or reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General estimates the liability to be $29,735,000.

The Commonwealth receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which receives the grant. As of June 30, 1986, the Commonwealth estimates that no material liabilities will result from such audits.

The Commonwealth guarantees the debt of certain authorities and local governments. In addition to the guaranteed debt disclosed in Note 6, the outstanding guaranteed debt at June 30, 1986, is approximately $24,200,000 and $2,000,000 of debt issued by local housing authorities and the Town of Mashpee, respectively.

The Commonwealth also guarantees certain debt under statutory requirements. The debt so guaranteed at June 30, 1986 is approximately $34,500,000 and $15,700,000 issued by regional transit authorities and the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, respectively.

The Massachusetts Water Resources Authority has been party to several state and federal lawsuits. The Authority is required to comply with a detailed schedule of actions to achieve and maintain compliance with the requirements of the Clean Water Act. The Authority anticipates capital expenditures of approximately $2.2 billion between 1987 and 1999. Funding is expected from various federal and state grants and debt issuance proceeds.

Combining Financial Statements
Special Revenue Funds

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

June 30, 1986

	Local Aid	Highway	Federal Grants	Arts and State Lotteries	Other	Total
Assets						
Cash and						
Short Term Investments	$ 269,551,898	$ 113,449,858	$ 95,662,690	$ 33,922,528	$ 36,806,120	$ 549,393,094
Investments	–	–	–	395,193,988	–	395,193,988
Receivables, Net of Allowance for Uncollectibles:						
Taxes	179,081,051	–	–	–	–	179,081,051
Due from						
Federal Government	–	6,820,367	13,802,479	–	539,285	21,162,131
Other Receivables	1,018,822	863,513	5,042,343	10,407,861	20,362,196	37,694,735
Advances to Cities and Towns	5,190,685	–	–	–	–	5,190,685
Total Assets	**$ 454,842,456**	**$ 121,133,738**	**$ 114,507,512**	**$ 439,524,377**	**$ 57,707,601**	**$ 1,187,715,684**
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable	$ 63,352,899	$ 23,668,554	$ 57,977,129	$ 9,460,174	$ 996,881	$ 155,455,637
Salaries Payable	595,669	891,135	443,080	–	17,979	1,947,863
Other Accrued Liabilities	5,318,411	12,353,002	43,007,886	–	292,868	60,972,167
Due to Other Funds	117,500,000	29,405,680	–	–	–	146,905,680
Deferred Revenue	–	1,574,922	3,992,743	–	–	5,567,665
Prizes Payable	–	–	–	395,193,988	–	395,193,988
Total Liabilities	**186,766,979**	**67,893,293**	**105,420,838**	**404,654,162**	**1,307,728**	**766,043,000**
Fund Equity:						
Fund Balances:						
Reserved for:						
Encumbrances	22,406,182	64,526,179	1,165,329	–	6,640,737	94,738,427
Advances to Cities and Towns	5,190,685	–	–	–	–	5,190,685
Unreserved:						
Designated for Continuing Accounts	46,321,348	15,451,299	29,944,765	31,541,506	(1,161,296)	122,097,622
Undesignated	194,157,262	(26,737,033)	(22,023,420)	3,328,709	50,920,432	199,645,950
Total Fund Equity	**268,075,477**	**53,240,445**	**9,086,674**	**34,870,215**	**56,399,873**	**421,672,684**
Total Liabilities and Fund Equity	**$ 454,842,456**	**$ 121,133,738**	**$ 114,507,512**	**$ 439,524,377**	**$ 57,707,601**	**$ 1,187,715,684**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY SPECIAL REVENUE FUNDS

for the fiscal year ended June 30, 1986

	Local Aid	Highway	Federal Grants	Arts and State Lotteries	Other	Total
Revenues:						
Income Tax	$ 1,396,363,127	$ —	$ —	$ —	$ —	$ 1,396,363,127
Sales Tax	690,568,664	—	—	—	—	690,568,66-
Corporate Tax	335,135,000	—	—	—	—	335,135,000
Other Taxes	942,104	281,869,478	—	3,516,436	392,270	286,720,288
Assessments	—	1,706,195	—	—	—	1,706,195
Federal Grants and Reimbursements	—	18,131,481	826,166,482	—	539,407	844,837,370
Departmental	3,066,428	178,381,326	52,864	1,066,762,486	33,034,818	1,281,297,922
Miscellaneous	4,141	105,962	—	—	—	110,103
Total Revenues	**2,426,079,464**	**480,194,442**	**826,219,346**	**1,070,278,922**	**33,966,495**	**4,836,738,669**
Expenditures:						
Judiciary	214,109,303	325,500	349,868	—	1,731,579	216,516,250
Executive	—	—	2,865,555	—	—	2,865,555
Secretary of the Commonwealth	—	—	575,893	—	—	575,893
Treasurer and Receiver-General	791,831,577	33,550,562	—	689,021,448	323,585	1,514,727,172
Auditor of the Commonwealth	—	2,711,111	—	—	—	2,711,111
Attorney General	—	—	194,487	—	773,172	967,659
Administration and Finance	312,443,585	12,344,492	2,403,097	—	9,612,814	336,803,988
Environmental Affairs	23,108,484	66,572,671	14,477,129	—	11,998,342	116,156,626
Communities and Development	3,992,542	—	148,840,930	—	2,619,533	155,453,005
Human Services	16,518,368	—	203,940,132	—	—	220,458,500
Transportation and Construction	20,969,803	146,044,[illegible]75	2,984,493	—	3,586,413	173,584,714
Education	1,359,284,856	—	278,007,230	—	—	1,637,292,086
Public Safety	—	65,275,233	14,783,949	—	—	80,059,182
Economic Affairs	—	(48,274)	121,552,470	—	—	121,504,196
Elder Affairs	—	—	16,196,442	—	—	16,196,442
Consumer Affairs	—	2,469,949	50,665	—	—	2,520,614
Energy Resources	—	—	3,310,012	—	—	3,310,012
Labor	—	438	429,475	—	—	429,913
Debt Service:						
Principal Retirement	5,386,175	48,579,759	—	—	174,000	54,139,934
Interest and Fiscal Charges	3,893,759	52,126,907	—	—	22,146	56,042,812
Total Expenditures	**2,751,538,452**	**429,952,353**	**810,961,827**	**689,021,448**	**30,841,584**	**4,712,315,664**
Excess (Deficiency) of Revenues Over Expenditures	(325,458,988)	50,242,089	15,257,519	381,257,474	3,124,911	124,423,005
Other Financing Sources (Uses):						
Transfers In	543,023,919	24,068,226	—	—	18,077,646	585,169,791
Transfers Out	(232,407,466)	(85,518,168)	(21,597,671)	(372,931,480)	(3,188,716)	(715,643,501)
Total Other Financing Sources (Uses)	**310,616,453**	**(61,449,942)**	**(21,597,671)**	**(372,931,480)**	**14,888,930**	**(130,473,710)**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(14,842,535)	(11,207,853)	(6,340,152)	8,325,994	18,013,841	(6,050,705)
Fund Equity at Beginning of Year	282,918,012	64,448,298	15,426,826	26,544,221	38,386,032	427,723,389
Fund Equity at End of Year	**$268,075,477**	**$53,240,445**	**$9,086,674**	**$34,870,215**	**$56,399,873**	**$421,672,684**

COMMONWEALTH OF MASSACHUSETTS

Combining Financial Statements
Capital Projects Funds

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
June 30, 1986

	General	Highway	Federal	Other	Total
Assets					
Cash and Short-Term Investments	$ —	$ —	$ 170,376,442	$ 3,873	$ 170,380,315
Receivables, Net of Allowance for Uncollectibles:					
Due from Federal Government	—	—	68,729,618	—	68,729,618
Other Receivables	—	—	55,198	—	55,198
Total Assets	**$ —**	**$ —**	**$239,161,258**	**$3,873**	**$239,165,131**
Liabilities and Fund Equity					
Liabilities:					
Deficiency in Cash and Short-Term Investments	$ 32,472,593	$ 343,202,202	$ —	$40,916,538	$ 416,591,333
Accounts Payable	23,365,364	11,780,781	37,696,822	521,979	73,364,946
Salaries Payable	6,185	—	17,011	5,155	28,351
Other Accrued Liabilities	—	—	554,762	—	554,762
Deferred Revenue	—	—	13,699,399	—	13,699,399
Bonds and Notes Payable	14,500,000	55,300,000	—	—	69,800,000
Total Liabilities	**70,344,142**	**410,282,983**	**51,967,994**	**41,443,672**	**574,038,791**
Fund Equity (Deficit):					
Fund Balances (Deficit):					
Reserved for:					
Encumbrances	—	—	248,108,205	3,873	248,112,078
Unreserved:					
Designated for Continuing Accounts	—	—	947,624,911	—	947,624,911
Undesignated	(70,344,142)	(410,282,983)	(1,008,539,852)	(41,443,672)	(1,530,610,649)
Total Fund Equity (Deficit)	**(70,344,142)**	**(410,282,983)**	**187,193,264**	**(41,439,799)**	**(334,873,660)**
Total Liabilities and Fund Equity	**$ —**	**$ —**	**$239,161,258**	**$3,873**	**$239,165,131**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY CAPITAL PROJECT FUNDS

for the fiscal year ended June 30, 1986

	General	Highway	Federal	Other	Total
Revenues:					
Federal Grants and Reimbursements	$ 221,490	$ —	$ 122,137,272	$ —	$ 122,358,762
Departmental	870,402	—	55,198	5,000	930,600
Total Revenues	**1,091,892**	**—**	**122,192,470**	**5,000**	**123,289,362**
Expenditures:					
Legislature	23,747	—	—	—	23,747
Judiciary	173,296	—	—	—	173,296
Executive	791,642	—	—	—	791,642
Secretary of the Commonwealth	4,678,017	—	—	—	4,678,017
Administration and Finance	16,725,205	—	—	105,465	16,830,670
Environmental Affairs	113,089,183	5,242,352	17,011	25,521,593	143,870,139
Communities and Development	44,679,683	—	—	—	44,679,683
Human Services	61,096,325	—	—	—	61,096,325
Transportation and Construction	11,583,381	99,710,449	210,235,375	2,570	321,531,775
Education	36,884,229	306,553	—	—	37,190,782
Public Safety	22,724	—	—	—	22,724
Energy Resources	1,312,933	—	—	—	1,312,933
Total Expenditures	**291,060,365**	**105,259,354**	**210,252,386**	**25,629,628**	**632,201,733**
Excess of Expenditures Over Revenues	(289,968,473)	(105,259,354)	(88,059,916)	(25,624,628)	(508,912,371)
Other Financing Sources (Uses):					
Proceeds of General Obligation Bonds	215,017,196	265,081,000	—	—	480,098,196
Transfers In	84,224	—	202,000,000	—	202,084,224
Transfers Out	(18,088,495)	(202,115,926)	—	(22,779)	(220,227,200)
Total Other Financing Sources (Uses)	**197,012,925**	**62,965,074**	**202,000,000**	**(22,779)**	**461,955,220**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(92,955,548)	(42,294,280)	113,940,084	(25,647,407)	(46,957,151)
Fund Equity (Deficit) at Beginning of Year	22,611,406	(367,988,703)	73,253,180	(15,792,392)	287,916,509)
Fund Equity (Deficit) at End of Year	**$(70,344,142)**	**$(410,282,983)**	**$187,193,264**	**$(41,439,799)**	**$(334,873,660)**

COMMONWEALTH OF MASSACHUSETTS

Combining Financial Statements
Enterprise Funds

COMBINING BALANCE SHEET
ENTERPRISE FUNDS
June 30, 1986

	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other	Total
Assets						
Cash and Short Term Investments	$ 12,458,000	$ 10,286,392	$ 11,631,000	$ 14,933,788	$ 16,773,067	$ 66,082,247
Investments	—	1,439,321	—	61,817,623	29,860,174	93,117,118
Receivables:						
Due from Federal Government	10,210,000	—	—	—	—	10,210,000
Loans	—	—	—	—	17,523,499	17,523,499
Other Receivables	114,158,000	—	860,000	1,648,597	2,670,997	119,337,594
Due from Other Funds	132,783,000	12,729,164	—	716,235	800,000	147,028,399
Inventory (at Cost)	27,946,000	—	10,139,000	—	—	38,085,000
Fixed Assets	2,775,617,000	105,507,893	2,347,923,000	174,381,062	12,890,911	5,416,319,866
Restricted and Other Assets	190,624,000	161,728,642	176,725,000	2,368,679	14,941,531	546,387,852
Total Assets	$3,263,796,000	$291,691,412	$2,547,278,000	$255,865,984	$95,460,179	$6,454,091,575
Liabilities and Capital						
Liabilities:						
Accounts Payable	$ 33,549,000	$ 5,376,222	$ 13,270,000	$ 730,829	$ 1,769,175	$ 54,695,226
Other Accrued Liabilities	66,539,000	12,639,642	1,983,324	1,150,383	5,182,395	87,494,744
Due to Other Funds	—	—	34,373,676	—	—	34,373,676
Deferred Revenue	71,512,000	59,890	23,252,000	—	2,405,241	97,229,131
Bonds and Notes Payable	1,095,547,000	196,975,000	148,347,000	150,190,000	—	1,591,059,000
Total Liabilities	1,267,147,000	215,050,754	221,226,000	152,071,212	9,356,811	1,864,851,777
Capital:						
Contributed Capital	2,047,981,000	66,627,844	2,326,052,000	—	34,213,230	4,474,874,074
Retained Earnings:						
Reserved	—	9,018,093	—	677,219	9,802,162	19,497,474
Unreserved	(51,332,000)	994,721	—	103,117,553	42,087,976	94,868,250
Total Capital	1,996,649,000	76,640,658	2,326,052,000	103,794,772	86,103,368	4,589,239,798
Total Liabilities and Capital	$3,263,796,000	$291,691,412	$2,547,278,000	$255,865,984	$95,460,179	$6,454,091,575

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS ENTERPRISE FUNDS

for the fiscal year ended June 30, 1986

	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other	Total
Operating Revenues:						
Charges for Services	$ 109,815,000	$ 2,869,558	$ 60,138,000	$ —	$ 3,406,866	$ 176,229,424
Donations	—	—	—	—	7,980,476	7,980,476
Other	—	—	1,473,000	—	—	1,473,000
Total Revenues	109,815,000	2,869,558	61,611,000	—	11,387,342	185,682,900
Operating Expenses:						
Cost of Services	385,952,000	5,196,460	40,344,000	5,619,993	12,241,775	449,354,228
Depreciation	47,807,000	649,292	44,140,000	—	1,066,374	93,662,666
Total Expenses	433,759,000	5,845,752	84,484,000	5,619,993	13,308,149	543,016,894
Operating Loss	(323,944,000)	(2,976,194)	(22,873,000)	(5,619,993)	(1,920,807)	(357,333,994)
Non-Operating Revenues (Expenses):						
Operating Grants	21,066,000	—	—	433,121	9,554,942	31,054,063
Interest Income	10,161,000	948,868	3,658,000	6,304,620	4,065,213	25,137,701
Other Revenues	1,966,000	511,417	—	160,110	1,110,386	2,847,913
Interest Expense	(68,853,000)	(15,656,511)	(8,625,000)	(9,453,049)	—	(102,587,560)
Other Expenses	—	(1,149,904)	(13,303,000)	(17,289)	(1,358,403)	(15,828,596)
Total Non-Operating Revenues (Expenses)	(36,560,000)	(15,346,130)	(18,270,000)	(2,572,487)	13,372,138	(59,376,479)
Income (Loss) Before Transfers and Extraordinary Items	(360,504,000)	(18,322,324)	(41,143,000)	(8,192,480)	11,451,331	(416,710,473)
Transfers In	330,085,000	16,969,487	—	14,983,884	2,635,500	364,673,871
Extraordinary Items — Gain (Loss) on Defeasance	(25,229,000)	—	—	7,265,916	—	(17,963,084)
Net Income (Loss)	(55,648,000)	(1,352,837)	(41,143,000)	14,057,320	14,086,831	(69,999,686)
Add: Depreciation of Cost of Assets Acquired from Contributed Capital	34,552,000	336,556	41,143,000	—	—	76,031,556
Retained Earnings (Deficit) at Beginning of Year	(30,236,000)	11,029,095	—	89,737,452	37,803,307	108,333,854
Retained Earnings (Deficit) at End of Year	$(51,332,000)	$10,012,814	$ —	$103,794,772	$51,890,138	$114,365,724

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION ENTERPRISE FUNDS

for the fiscal year ended June 30, 1986

	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other	Total
Sources of Financial Resources:						
Operations:						
Net Income (Loss)	$ (55,648,000)	$ (1,352,837)	$141,143,000	$14,057,320	$14,086,831	[illegible]
Expenses not Requiring Current Outlay of Financial Resources:						
Depreciation and Amortization	47,807,000	649,292	44,140,000	—	1,066,373	[illegible]
(Gain) Loss on Defeasance	25,229,000	—	—	(7,265,916)	—	[illegible]
Other	—	—	—	—	120,000	[illegible]
Total Sources (Uses) of Financial Resources from Operations	**17,388,000**	**(703,545)**	**2,997,000**	**6,791,404**	**15,273,205**	**41,746,064**
Increase (Decrease) in Accounts Payable	7,958,000	1,230,480	11,139,000	(247,376)	588,115	[illegible]
Increase in Other Accrued Liabilities	10,882,000	5,677,170	1,314,000	838,204	1,758,530	[illegible]
Increase in Due to Other Funds	—	—	8,975,000	—	—	[illegible]
Increase in Deferred Revenue	4,521,000	17,805	23,252,000	—	2,387,491	[illegible]
Issuance of Bonds and Notes Payable	342,358,000	100,000,000	148,347,000	61,020,000	—	[illegible]
Contributed Capital	208,053,000	14,966,250	2,326,052,000	—	—	[illegible]
Total Sources of Financial Resources	**591,160,000**	**121,188,160**	**2,522,076,000**	**68,402,232**	**20,007,341**	**3,322,833,733**
Uses of Financial Resources:						
Increase in Investments	—	518,319	—	13,546,213	2,684,042	[illegible]
Increase (Decrease) in Receivables	(9,960,000)	—	860,000	226,126	2,263,186	[illegible]
Increase in Due from Other Funds	—	5,867,920	—	419,661	—	[illegible]
Increase in Inventory	3,637,000	—	9,939,000	—	—	[illegible]
Increase in Restricted and Other Assets	95,006,000	77,075,509	143,026,000	1,577,002	3,298,661	[illegible]
Acquisition of Fixed Assets	340,614,000	36,187,423	2,360,855,000	1,217,129	12,560,154	[illegible]
Retirement of Bonds and Notes Payable	160,069,000	3,025,000	—	40,390,084	1,521,544	[illegible]
Total Uses of Financial Resources	**589,366,000**	**122,674,171**	**2,514,680,000**	**57,376,215**	**22,327,587**	**3,306,423,973**
Increase (Decrease) in Cash and Short-Term Investments	**$1,794,000**	**$(1,486,011)**	**$7,396,000**	**$11,026,017**	**$(2,320,246)**	**$16,409,760**

Combining Financial Statements
Fiduciary Fund Types

COMBINING BALANCE SHEET — NON-EXPENDABLE TRUST FUND, PENSION TRUST FUNDS AND AGENCY FUNDS

June 30, 1986

	Non-Expendable	Pension	Agency	Total
Assets				
Cash and Short Term Investments	$ 15,852,224	$ 152,965,325	$ 750,899,685	$ 919,717,234
Investments	—	4,669,801,472	—	4,669,801,472
Securities on Deposit	—	—	579,799,819	579,799,819
Receivables, Net of Allowance for Uncollectibles:				
Other Receivables	6,575,434	17,441,343	—	24,016,777
Due From Other Funds	—	245,006,421	119,221,947	364,228,368
Investments of Deferred Compensation Plan	—	—	176,237,897	176,237,897
Total Assets	$22,427,658	$5,085,214,561	$1,626,159,348	$6,733,801,567
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	$ —	$ —	$ 61,012,128	$ 61,012,128
Other Accrued Liabilities	7,000	—	—	7,000
Due to Other Funds	—	119,221,947	—	119,221,947
Liabilities Due Depositors	—	—	1,565,147,220	1,565,147,220
Total Liabilities	7,000	119,221,947	1,626,159,348	1,745,388,295
Fund Equity:				
Fund Balances:				
Reserved for:				
Pension Benefits	—	4,965,992,614	—	4,965,992,614
Unreserved:				
Designated for Specific Purpose	22,420,658	—	—	22,420,658
Total Fund Equity	22,420,658	4,965,992,614	—	4,988,413,272
Total Liabilities and Fund Equity	$22,427,658	$5,085,214,561	$1,626,159,348	$6,733,801,567

COMBINING BALANCE SHEET
PENSION TRUST FUNDS
June 30, 1986

	State Employees Annuities	State Employees Retirement Military Accumulation	Teachers Annuities	Teachers Retirement Military Accumulation	Pension Reserve	Total
Assets						
Cash and Short-Term Investments	$ 40,508,678	$ 12,435	$ 111,278,008	$ 1,166,204	$ —	$ 152,965,325
Investments (at market)	1,531,849,941	—	1,827,820,235	—	1,310,131,296	4,669,801,472
Receivables, Net of Allowance for Uncollectibles:						
Other Receivables	—	—	17,441,343	—	—	17,441,343
Due From Other Funds	—	—	—	—	245,006,421	245,006,421
Total Assets	**$1,572,358,619**	**$12,435**	**$1,956,539,586**	**$1,166,204**	**$1,555,137,717**	**$5,085,214,561**
Liabilities and Fund Equity						
Liabilities:						
Due to Other Funds	$ —	$ —	$ —	$ —	$ 119,221,947	$ 119,221,947
Total Liabilities	—	—	—	—	119,221,947	119,221,947
Fund Equity:						
Fund Balances:						
Reserved for Pension Benefits	1,572,358,619	12,435	1,956,539,586	1,166,204	1,435,915,770	4,965,992,614
Total Fund Equity	**1,572,358,619**	**12,435**	**1,956,539,586**	**1,166,204**	**1,435,915,770**	**4,965,992,614**
Total Liabilities and Fund Equity	**$1,572,358,619**	**$12,435**	**$1,956,539,586**	**$1,166,204**	**$1,555,137,717**	**$5,085,214,561**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
PENSION TRUST FUNDS
for the fiscal year ended June 30, 1986

	State Employees Annuities	State Employees Retirement Military Accumulation	Teachers Annuities	Teachers Retirement Military Accumulation	Pension Reserve	Total
Revenues:						
Contributions	$ 133,659,647	$ —	$ 94,309,300	$ —	$ 170,474,169	$ 398,443,116
Investment Earnings	324,605,811	—	348,836,730	59,553	242,643,058	916,145,152
Total Revenues	**458,265,458**	**—**	**443,146,030**	**59,553**	**413,117,227**	**1,314,588,268**
Expenses:						
Education	—	—	42,329,051	5,295	—	42,334,346
Other Governmental Charges	61,774,630	—	—	—	119,221,947	180,996,577
Total Expenses	**61,774,630**	**—**	**42,329,051**	**5,295**	**119,221,947**	**223,330,923**
Income Before Other Financing Sources (Uses)	396,490,828	—	400,816,979	54,258	293,895,280	1,091,257,345
Other Financing Sources (Uses):						
Transfers In	642,827	—	219,527	—	446,549,305	447,411,659
Transfers Out	(66,301,211)	—	(642,827)	—	—	(66,944,038)
Total Other Financing Sources (Uses)	**(65,658,384)**	**—**	**(423,300)**	**—**	**446,549,305**	**380,467,621**
Net Income	330,832,444	—	400,393,679	54,258	740,444,585	1,471,724,966
Fund Equity at Beginning of Year	1,241,526,175	12,435	1,556,145,907	1,111,946	695,471,185	3,494,267,648
Fund Equity at End of Year	**$1,572,358,619**	**$12,435**	**$1,956,539,586**	**$1,166,204**	**$1,435,915,770**	**$4,965,992,614**

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
PENSION TRUST FUNDS
for the fiscal year ended June 30, 1986

	State Employees Annuities	State Employees Retirement Military Accumulation	Teachers Annuities	Teachers Retirement Military Accumulation	Pension Reserve	Total
Sources of Financial Resources:						
Net Income	$330,832,444	$ —	$ 400,393,679	$ 54,258	$ 740,444,585	$1,471,724,966
Increase in Due to Other Funds	—	—	—	—	119,221,947	119,221,947
Decrease in Other Receivables	9,431,927	—	59,674,259	25,584	—	69,131,770
Total Sources of Financial Resources	**340,264,371**	**—**	**460,067,938**	**79,842**	**859,666,532**	**1,660,078,683**
Uses of Financial Resources:						
Increase in Investments	259,265,469	—	313,203,839	—	762,924,525	1,335,393,833
Increase in Other Receivables	—	—	—	—	22,403,303	22,403,303
Increase in Due from Other Funds	—	—	—	—	245,006,421	245,006,421
Decrease in Accounts Payable	35,422,238	—	35,471,988	—	3,300,000	74,194,226
Total Uses of Financial Resources	**294,687,707**	**—**	**348,675,827**	**—**	**1,033,634,249**	**1,676,997,783**
Increase (Decrease) in Cash and Short Term Investments	**$45,576,644**	**$ —**	**$111,392,111**	**$79,842**	**$(173,967,717)**	**$(16,919,100)**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS

for the fiscal year ended June 30, 1986

Agency Fund	Beginning Balance	Additions	Deletions	Ending Balance
Liabilities Due Depositors	$ 658,383,786	$ 906,763,334	$ –	$ 1,565,147,120
Abandoned Property	17,473,082	23,709,889	18,886,642	22,296,329
Court Escrow Deposits	18,350,911	722,074	–	19,072,985
Payroll Withholdings	5,897,528	465,529,340	464,219,842	7,207,026
Other Agency	8,038,560	45,792,662	41,395,334	12,435,888
Totals	**$708,143,867**	**$1,442,517,299**	**$524,501,818**	**$1,626,159,348**

Financial Section
Budgetary Basis

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Boston, MA 02110-2086
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Touche Ross

Ms. Ellen M. O'Connor, Comptroller
The Commonwealth of Massachusetts

We have examined the general purpose financial statements — budgetary basis of the Commonwealth of Massachusetts, as of and for the year ended June 30, 1986, as listed in the table of contents. Except as explained in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Treasurer's Fixed Income Securities Trust, Treasurer's Management Trust and the Pension Reserve Investment Trust, investment vehicles for the Commonwealth's Pension Trust Funds, whose net assets available for benefits represent all of the investments of the Fiduciary Fund Types. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion expressed herein, insofar as it relates to the amounts shown as investments in the Fiduciary Fund Types, is based solely upon the reports of the other auditors.

The general purpose financial statements — budgetary basis referred to above include the General Fixed Assets Account Group and the related financial data which is unaudited.

As discussed in Notes 1 and 2, the Commonwealth's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the General Laws and in accordance with the Commonwealth's budgetary funds. The budgetary basis differs from generally accepted accounting principles; accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, based upon our examination and the reports of other auditors, except for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had we audited the General Fixed Assets Account Group referred to in the second paragraph, the general purpose financial statements — budgetary basis referred to above present fairly the financial position of the Commonwealth of Massachusetts at June 30, 1986, and the results of its operations for the year then ended, on the basis of accounting described in Notes 1 and 2, which basis has been applied in a manner consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements — budgetary basis taken as a whole. The combining and individual fund financial statements — budgetary basis listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements — budgetary basis of the Commonwealth of Massachusetts. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements — budgetary basis and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements — budgetary basis taken as a whole.

The data included in the statistical section of this report has not been audited by us and, accordingly, we express no opinion on such data.

Touche Ross & Co.

Certified Public Accountants
Boston, Massachusetts
January 13, 1987

COMBINED BALANCE SHEET — BUDGETARY BASIS ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1986

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and Short-Term Investments	$ 1,109,501,337	$ 531,619,644	$ 34,499,606	$ 170,380,315
Amount on Deposit with U.S. Treasury	—	—	—	—
Investments (at Market)	—	—	—	—
Investment in MCDFC	—	—	—	10,000,000
Securities on Deposit	—	—	—	—
Receivables, Net of Allowance for Uncollectibles:				
Due from Federal Government	88,568,826	—	—	25,734,173
Other Receivables	—	19,733,676	—	—
Due from Cities and Towns	—	—	—	—
Due from Other Funds	—	—	—	—
Fixed Assets:				
Land	—	—	—	—
Buildings	—	—	—	—
Machinery and Equipment	—	—	—	—
Bonds Authorized — Unissued	—	—	—	3,701,618,402
Amount to be Provided for Retirement of Long-Term Obligations	—	—	—	—
Total Assets	**$1,198,070,163**	**$551,353,320**	**$34,499,606**	**$3,907,732,890**
Liabilities and Fund Equity				
Liabilities:				
Deficiency in Cash and Short-Term Investments	$ —	$ —	$ —	$ 416,591,618
Accounts Payable	342,759,784	92,872,771	—	—
Due to Other Funds	127,506,421	117,500,000	—	—
Liabilities Due Depositors	—	—	—	—
Bonds and Notes Payable	—	—	—	69,800,000
Total Liabilities	**470,266,205**	**210,372,771**	**—**	**486,391,618**
Fund Equity:				
Investment in General Fixed Assets	—	—	—	—
Fund Balances (Deficit):				
Reserved for:				
Encumbrances	98,291,746	119,928,123	—	953,724,191
Unemployment Benefits	—	—	—	—
Pension Benefits	—	—	—	—
Unreserved:				
Designated for Continuing Accounts	296,209,525	170,944,231	—	3,504,936,404
Designated for Specific Purpose	—	—	—	—
Designated for Debt Service	—	—	34,499,606	—
Undesignated	333,302,687	50,108,195	—	(1,037,319,323)
Total Fund Equity	**727,803,958**	**340,980,549**	**34,499,606**	**3,421,341,272**
Total Liabilities and Fund Equity	**$1,198,070,163**	**$551,353,320**	**$34,499,606**	**$3,907,732,890**

The accompanying notes are an integral part of the general purpose financial statements.

FIDUCIARY FUND TYPES		ACCOUNT GROUPS		TOTALS (Memorandum Only)	
Expendable Trust	Non-Expendable Pension Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	1986	1985
$ 114,693,747	$ 228,018,786	$ —	$ —	$ 2,188,713,435	$ 1,396,739,294
973,940,943	—	—	—	973,940,943	867,371,013
—	4,669,801,472	—	—	4,669,801,472	3,334,407,639
—	—	—	—	10,000,000	10,000,000
—	579,799,819	—	—	579,799,819	492,622,617
—	—	—	—	114,302,999	23,494,577
—	—	—	—	19,733,676	51,611,117
99,600,000	—	—	—	99,600,000	97,000,000
—	245,006,421	—	—	245,006,421	—
—	—	579,619,768	—	579,619,768	579,619,768
—	—	1,512,399,287	—	1,512,399,287	1,512,399,287
—	—	433,287,895	—	433,287,895	393,380,988
—	—	—	—	3,701,618,402	2,412,880,341
—	—	—	3,676,996,338	3,676,996,338	3,424,646,936
$1,188,234,690	**$5,722,626,498**	**$2,525,306,950**	**$3,676,996,338**	**$18,804,820,455**	**$14,596,173,577**
$ 121,987,763	$ —	$ —	$ —	$ 538,579,381	$ 258,977,703
—	61,012,128	—	—	496,644,683	339,997,616
—	—	—	—	245,006,421	—
—	705,440,680	—	—	705,440,680	498,762,564
99,600,000	—	—	3,676,996,338	3,846,396,338	3,721,646,936
221,587,763	**766,452,808**	**—**	**3,676,996,338**	**5,832,067,503**	**4,819,384,819**
—	—	2,525,306,950	—	2,525,306,950	2,485,400,043
—	—	—	—	1,171,944,060	1,063,484,858
974,046,575	—	—	—	974,046,575	867,371,013
—	4,948,551,271	—	—	4,948,551,271	3,477,992,064
—	—	—	—	3,972,090,160	2,173,698,782
(7,399,648)	7,622,419	—	—	222,771	52,932,052
—	—	—	—	34,499,606	20,095,177
—	—	—	—	(653,908,441)	(364,185,231)
966,646,927	**4,956,173,690**	**2,525,306,950**	**—**	**12,972,752,952**	**9,776,788,758**
$1,188,234,690	**$5,722,626,498**	**$2,525,306,950**	**$3,676,996,338**	**$18,804,820,455**	**$14,596,173,577**

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGETARY BASIS
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
for the fiscal year ended June 30, 1986

	Government Fund Types				Fiduciary Fund Type	TOTALS (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1986	1985
Revenues:							
Income Taxes	$2,182,599,000	$1,434,900,000	$ —	$ —	$ —	$ 3,617,499,000	$ 3,158,971,082
Sales and Use Taxes	1,026,284,000	685,254,000	—	—	—	1,711,538,000	1,438,002,973
Corporate Taxes	477,909,000	321,095,000	—	—	—	799,004,000	665,927,973
Other Taxes	1,095,740,189	287,400,631	—	—	440,993,239	1,824,134,059	1,665,827,309
Assessments	20,599,854	4,033,151	—	—	—	24,633,005	103,291,148
Federal Grants and Reimbursements	1,216,420,948	842,104,669	—	147,501,122	—	2,206,026,739	1,979,548,588
Departmental	520,019,283	1,271,723,690	—	875,402	506,442,237	2,299,060,612	1,641,679,573
Miscellaneous	25,399,018	157,795	522,623,865	—	33,183	548,213,861	499,740,094
Total Revenues	**6,564,971,292**	**4,846,668,936**	**522,623,865**	**148,376,524**	**947,468,659**	**13,030,109,276**	**11,152,988,740**
Expenditures:							
Legislature	41,498,239	—	—	23,747	—	41,521,986	39,085,466
Inspector General	1,084,608	—	—	—	—	1,084,608	1,026,846
Judiciary	54,905,079	216,023,255	—	165,360	38,159	271,131,853	244,071,299
Executive	3,827,563	2,669,460	—	756,754	7,588	7,261,365	17,392,693
Secretary of the Commonwealth	10,177,887	556,947	—	4,622,290	3,060	15,360,184	20,662,264
Treasurer and Receiver General	198,141,297	1,506,646,235	508,219,436	—	—	2,213,006,968	1,946,047,706
Auditor of the Commonwealth	6,363,619	2,729,392	—	—	201,691	9,294,702	8,758,171
Attorney General	14,144,062	833,035	—	—	25,944	15,003,041	13,627,937
Ethics Commission	774,590	—	—	—	—	774,590	775,635
Administration and Finance	431,242,289	343,392,331	—	30,855,694	393,562,754	1,199,053,068	710,010,230
Environmental Affairs	72,571,857	84,136,801	—	148,232,805	905,212	305,846,675	301,893,849
Communities and Development	110,425,986	161,552,103	—	44,725,052	1,692,579	318,395,720	323,939,415
Human Services	3,630,295,719	201,961,553	—	57,140,648	5,870,742	3,895,268,662	3,362,014,082
Transportation and Construction	174,528,686	232,598,494	—	315,312,944	1,347,306	723,787,430	621,003,412
Education	665,158,794	1,613,960,783	—	32,849,317	29,768,136	2,341,737,030	2,177,921,209
Public Safety	31,669,925	86,468,055	—	377,778	222,856	118,738,614	90,434,402
Economic Affairs	30,719,216	120,822,673	—	25,000	462,040,924	613,607,813	548,460,629
Elder Affairs	126,842,765	20,821,758	—	—	75,354	147,739,877	116,787,347
Consumer Affairs	20,828,229	2,517,513	—	-	7,210	23,352,952	21,178,967
Energy Resources	2,186,175	3,071,730	—	1,380,905	105,874	6,744,684	4,857,284
Labor	10,094,082	452,776	—	—	342,874	10,889,732	10,168,110
Debt Service:							
Principal Retirement	173,420,763	54,139,934	—	—	—	227,560,697	225,135,271
Interest and Fiscal Charges	238,481,481	56,042,812	—	—	—	294,524,293	241,283,378
Total Expenditures	**6,049,382,911**	**4,711,397,640**	**508,219,436**	**636,468,294**	**896,218,263**	**12,801,686,544**	**11,046,535,622**
Excess (Deficiency) of Revenues Over Expenditures	515,588,381	135,271,296	14,404,429	(488,091,770)	51,250,396	228,422,732	106,453,118

Other Financing Sources (Uses):							
Proceeds of General Obligation Bonds	–	–	–	480,098,196	–	480,098,196	301,361,569
Increase in Bonds Authorized	–	–	–	1,288,738,061	–	1,288,738,061	(453,041,520)
Increase in Temporary Notes	–	–	–	–	2,600,000	2,600,000	–
Transfers In	105,280,433	573,839,892	–	202,084,224	–	881,204,549	141,396,302
Transfers Out	(395,739,466)	(645,705,504)	–	(220,227,200)	–	(1,261,672,170)	(312,087,512)
Accounts Payable Balances Reverted	57,908,452	8,082,375	–	–	–	65,990,827	43,909,570
Accounts Receivable — Water Resources	–	–	–	–	–	–	32,070,773
State Assumption of MDC Parks Assessments	–	–	–	–	–	–	(23,339,103)
Total Other Financing Sources (Uses)	**(232,550,581)**	**(63,783,237)**	**–**	**1,750,693,281**	**2,600,000**	**1,456,959,463**	**(269,729,921)**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Uses	283,037,800	71,488,059	14,404,429	1,262,601,511	53,850,396	1,685,382,195	(163,276,803)
Fund Equity at Beginning of Year	444,766,158	269,492,490	20,095,177	2,158,739,761	912,796,531	3,805,890,117	3,969,166,920
Fund Equity at End of Year	**$727,803,958**	**$340,980,549**	**$34,499,606**	**$3,421,341,272**	**$966,646,927**	**$5,491,272,312**	**$3,805,890,117**

The accompanying notes are an integral part of the general purpose financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGETARY BASIS — BUDGET AND ACTUAL GENERAL AND SPECIAL REVENUE FUNDS

for the fiscal year ended June 30, 1986

	GENERAL FUND		
	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$ 4,485,060,000	$ 4,782,532,189	$ 297,472,189
Assessments	—	20,599,854	20,599,854
Federal Grants and Reimbursements	1,133,667,000	1,216,420,948	82,753,948
Departmental	590,954,000	520,019,283	(70,934,717)
Miscellaneous	—	25,399,018	25,399,018
Total Revenues	**6,209,681,000**	**6,564,971,292**	**355,290,292**
Expenditures:			
Legislature	43,708,421	41,498,239	2,210,182
Inspector General	1,178,235	1,084,608	93,627
Judiciary	54,547,973	54,905,079	(357,106)
Executive	3,900,675	3,827,563	73,112
Secretary of the Commonwealth	9,806,197	10,177,887	(371,690)
Treasurer and Receiver-General	306,716,183	198,141,297	108,574,886
Auditor of the Commonwealth	6,350,408	6,363,619	(13,211)
Attorney General	14,576,498	14,144,062	432,436
Ethics Commission	864,926	774,590	90,336
Administration and Finance	397,453,035	431,242,289	(33,789,254)
Environmental Affairs	84,212,708	72,571,857	11,640,851
Communities and Development	112,233,527	110,425,986	1,807,541
Human Services	3,629,308,680	3,630,295,719	(987,039)
Transportation and Construction	188,147,768	174,528,686	13,619,082
Education	773,673,531	665,158,794	108,514,737
Public Safety	33,750,300	31,669,925	2,080,375
Economic Affairs	31,131,640	30,719,216	412,424
Elder Affairs	114,130,140	126,842,765	(12,712,625)
Consumer Affairs	19,831,615	20,828,229	(996,614)
Energy Resources	2,161,341	2,186,175	(24,834)
Labor	13,146,020	10,094,082	3,051,938
Debt Service:			
Principal Retirement	173,420,763	173,420,763	—
Interest and Fiscal Charges	226,043,829	238,481,481	(12,437,652)
Total Expenditures	**6,240,294,413**	**6,049,382,911**	**190,911,502**
Excess (Deficiency) of Revenues Over Expenditures	(30,613,413)	515,588,381	546,201,794
Other Financing Sources (Uses):			
Transfers In	76,229,000	105,280,433	29,051,433
Transfers Out	(131,991,000)	(395,739,466)	(263,748,466)
Balances Reverted:			
Appropriation-Budgetary	93,209,000	—	(93,209,000)
Accounts Payable-Operations	46,441,000	57,908,452	11,467,452
State Assumption of MDC Parks Assessments	—	—	—
Increase (Decrease) in Bonds Authorized and Federal Reimbursements Receivable	—	—	—
Total Other Financing Sources (Uses)	**83,888,000**	**(232,550,581)**	**(316,438,581)**
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	53,274,587	283,037,800	229,763,213
Fund Equity at Beginning of Year	444,766,158	444,766,158	—
Fund Equity at End of Year	**$498,040,745**	**$727,803,958**	**$229,763,213**

The accompanying notes are an integral part of the general purpose financial statements.

SPECIAL REVENUE FUNDS			TOTALS (Memorandum Only)		
1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)
$ 2,621,600,000	$ 2,725,133,195	$ 103,533,195	$ 7,106,660,000	$ 7,507,665,384	$ 401,005,384
2,327,000	4,033,151	1,706,151	2,327,000	24,633,005	22,306,005
11,813,000	17,186,310	5,373,310	1,145,480,000	1,233,607,258	88,127,258
167,012,882	190,335,914	23,323,032	757,966,882	710,355,197	(47,611,685)
191,800	154,203	(37,597)	191,800	25,553,221	25,361,421
$2,802,944,682	**$2,936,842,773**	**$133,898,091**	**$9,012,625,682**	**$9,501,814,065**	**$489,188,383**
—	—	—	43,708,421	41,498,239	2,210,182
—	—	—	1,178,235	1,084,608	93,627
219,783,432	215,683,589	4,099,843	274,331,405	270,588,668	3,742,737
—	—	—	3,900,675	3,827,563	73,112
—	—	—	9,806,197	10,177,887	(371,690)
717,684,118	827,084,960	(109,400,842)	1,024,400,301	1,025,226,257	(825,956)
2,721,604	2,729,392	(7,788)	9,072,012	9,093,011	(20,999)
697,896	641,001	56,895	15,274,394	14,785,063	489,331
—	—	—	864,926	774,590	90,336
352,191,560	334,596,831	17,594,729	749,644,595	765,839,120	(16,194,525)
76,859,347	68,307,240	8,552,107	161,072,055	140,879,097	20,192,958
5,495,538	4,598,172	897,366	117,729,065	115,024,158	2,704,907
13,001,235	12,951,320	49,915	3,642,309,915	3,643,247,039	(937,124)
240,866,581	229,625,912	11,240,669	429,014,349	404,154,598	24,859,751
1,352,413,218	1,344,585,172	7,828,046	2,126,086,749	2,009,743,966	116,342,783
77,900,657	71,501,204	6,399,453	111,650,957	103,171,129	8,479,828
—	—	—	31,131,640	30,719,216	412,424
—	—	—	114,130,140	126,842,765	(12,712,625)
2,639,645	2,466,848	172,797	22,471,260	23,295,077	(823,817)
—	—	—	2,161,341	2,186,175	(24,834)
—	—	—	13,146,020	10,094,082	3,051,938
49,188,759	54,139,934	(4,951,175)	222,609,522	227,560,697	(4,951,175)
52,484,149	56,042,812	(3,558,663)	278,527,978	294,524,293	(15,996,315)
3,163,927,739	**3,224,954,387**	**(61,026,648)**	**9,404,222,152**	**9,274,337,298**	**129,884,854**
(360,983,057)	288,111,614)	72,871,443	(391,596,470)	227,476,767	619,073,237
404,451,000	573,839,892	169,388,892	480,680,000	679,120,325	198,440,325
(21,812,000)	(248,408,549)	(226,596,549)	(153,803,000)	(644,148,015)	(490,345,015)
11,791,000	—	(11,791,000)	105,000,000	—	(105,000,000)
7,419,000	8,082,375	663,375	53,860,000	65,990,827	12,130,827
(2,072,000)	(2,025,393)	46,607	(2,072,000)	(2,025,393)	46,607
3,273,000	—	(3,273,000)	3,273,000	—	(3,273,000)
403,050,000	**331,488,325**	**(71,561,675)**	**486,938,000**	**98,937,744**	**(388,000,256)**
42,066,943	43,376,711	1,309,768	95,341,530	326,414,511	231,072,981
140,430,691	140,430,691	—	585,196,849	585,196,849	—
$182,497,634	**$183,807,402**	**$1,309,768**	**$680,538,379**	**$911,611,360**	**$231,072,981**

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY — BUDGETARY BASIS NON-EXPENDABLE TRUST FUND AND PENSION TRUST FUNDS

for the fiscal year ended June 30, 1986

	Non-Expendable Trust Fund	Pension Trust Funds	TOTALS (Memorandum Only) 1986	1985
Revenues:				
Departmental	$ 365,918	$ —	$ 365,918	$ 200,439
Employee Contributions	—	397,251,773	397,251,773	116,225,488
Investment Earnings	—	916,170,736	916,170,736	889,746,141
Total Revenues	**365,918**	**1,313,422,509**	**1,313,788,427**	**1,006,172,068**
Expenses:				
Environmental Affairs	250,033	—	250,033	32,748
Education	—	42,334,346	42,334,346	52,613,756
Other Governmental Charges	—	180,996,577	180,996,577	61,690,953
Total Expenses	**250,033**	**223,330,923**	**223,580,956**	**114,337,457**
Excess of Revenues Over Expenses	115,885	1,090,091,586	1,090,207,471	891,834,611
Other Financing Sources (Uses):				
Transfers In	—	380,467,621	380,467,621	170,691,210
Total Other Financing Sources (Uses)	**—**	**380,467,621**	**380,467,621**	**170,691,210**
Excess of Revenues and Other Financing Sources Over Expenses and Other Uses	115,885	1,470,559,207	1,470,675,092	1,062,525,821
Fund Equity at Beginning of Year	7,506,534	3,477,992,064	3,485,498,598	2,422,972,777
Fund Equity at End of Year	**$ 7,622,419**	**$ 4,948,551,271**	**$ 4,956,173,690**	**$ 3,485,498,598**

The accompanying notes are an integral part of the general purpose financial statements.

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION — BUDGETARY BASIS
NON-EXPENDABLE TRUST FUND AND PENSION TRUST FUNDS
for the fiscal year ended June 30, 1986

	Non-Expendable Trust Fund	Pension Trust Funds	TOTALS (Memorandum Only) 1986	1985
Sources of Financial Resources:				
Operations:				
Net Income	$ 115,885	$ 1,470,559,207	$ 1,470,675,092	$ 1,062,525,821
Increase In Due From Other Funds	—	119,221,947	119,221,947	—
Total Sources of Financial Resources	**115,885**	**1,589,781,154**	**1,589,897,039**	**1,062,525,821**
Uses of Financial Resources:				
Increase in Investments	—	1,335,393,833	1,335,393,833	1,142,592,854
Increase in Due From Other Funds	—	245,006,421	245,006,421	—
Total Uses of Financial Resources	**—**	**1,580,400,254**	**1,580,400,254**	**1,142,592,854**
Increase in Cash and Short-Term Investments	**$115,885**	**$9,380,900**	**$9,496,785**	**$(80,067,033)**

The accompanying notes are an integral part of the general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—BUDGETARY BASIS

for the fiscal year ended June 30, 1986

NOTE 1 — FINANCIAL STATEMENT PRESENTATION:

GENERAL:

The accompanying budgetary statements are presented in accordance with Section 33 of Chapter 7 of the General Laws. The footnotes below are intended to highlight the Budgetary accounting policies and replace Notes 1, 2 and 3 in the preceding general purpose financial statements. They are intended to be read in conjunction with the preceding notes to the general purpose financial statements prepared in conformity with generally accepted accounting principles. Certain reclassifications have been made to the 1985 balances to conform to the presentation used in 1986.

REPORTING ENTITY:

The financial statements presented in this section include all funds and account groups of the Commonwealth of Massachusetts as recorded by the Comptroller's Division in compliance with the General Laws and in accordance with the Commonwealth's budgetary funds. The financial statements are not intended to include independent authorities and other organizations which may be included in the reporting entity as component units under the criteria of the Governmental Accounting Standards Board.

FUND ACCOUNTING:

The Commonwealth records its transactions in funds and account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have been eliminated. The funds and account groups are organized into three categories as follows:

GOVERNMENTAL FUNDS:

Governmental Funds are those through which most governmental functions of the Commonwealth are financed. The acquisition, use and balances of the Commonwealth's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on net income.

General Fund — The General Fund is the general operating fund of the Commonwealth. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds — Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts or capital projects funds) that are legally restricted to expenditures for specific purposes.

Debt Service Funds — Debt Service Funds are used to account for the accumulation of resources for, and the future payment of, general long-term debt principal and interest, except for mini-bond payments, which are made from the General Fund.

Capital Projects Funds — Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bonds and from Federal reimbursements and State appropriations.

FIDUCIARY FUNDS:

Fiduciary Funds are used to account for assets held by the Commonwealth in a trustee capacity (Trust Funds), or as an agent (Agency Funds) for individuals, private organizations, other governmental units and/or other funds. Trust Funds include Expendable Trust Funds, Non-Expendable Trust Fund and Pension Trust Funds.

ACCOUNT GROUPS

Account Groups are used to establish control and accountability over the Commonwealth's general fixed assets and long-term obligations. The Commonwealth's account groups are as follows:

General Fixed Assets Account Group — The General Fixed Assets Account Group is used to account for general fixed assets.

General Long-Term Obligations Account Group — The General Long-Term Obligations Account Group is used to account for long-term obligations.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The combined financial statements presented in this section are prepared from the Commonwealth's books and records and other official reports which are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (budgetary basis). Accordingly, the combined financial statements are not intended to present the financial condition and results of operations in conformity with Generally Accepted Accounting Principles (GAAP). Had the accompanying financial statements been prepared on a GAAP basis they would reflect: (a) cash advances as assets; (b) receivables, net of refunds and estimated uncollectibles, for revenues which are measurable and available; (c) accounts payable and other accruals for expenditures incurred through the end of the fiscal year recorded in the appropriate fund and accruals expected to be paid beyond twelve months recorded in the General Long-Term Obligations Account Group; (d) capital leases in the General Fixed Assets and General Long-Term Obligations Accounts Groups; (e) fixed assets valued at cost or estimated cost; (f) the difference between actuarially determined retirement costs and amounts funded in the Long-Term Obligations Account Group; (g) liability for school construction grants recorded in the Long-Term Obligations Account Group; and (h) the operations of certain agencies and activities, principally the auxiliary enterprise operations of the Commonwealth's institutions of higher education. The budgetary basis of accounting is described below:

A. Basis of Accounting

Revenues are recognized when received by the Commonwealth. Accordingly, receivables are not booked on the budgetary basis with the exception of Federal reimbursements due for expenditures incurred as of June 30, 1986.
Expenditures are recognized when paid and also include accounts payable and encumbrances on lapsing appropriations and outstanding advances to State agencies.

B. Earnings on Pooled Cash

The Commonwealth follows the practice of pooling cash and cash equivalents of the General Fund, certain Special Revenue Funds, and the Capital Projects Fund. Cash equivalents consist of short-term investments and are stated at cost. Substantially all interest earned on this pooled cash is allocated to the General Fund.

C. Investments

The investment in Massachusetts Community Development Finance Corporation (MCDFC) is stated at cost. Pension Trust Fund investments are stated at market.

D. Inventory

Inventory purchases are recorded as expenditures when paid.

E. Interfund Transactions

During the course of normal operations, the Commonwealth has numerous transactions between funds including those attributable to pooled cash. These transactions are recorded as adjustments to the funds' cash accounts and, thus, may result in a fund having a deficiency in cash and short-term investments at year-end.

F. General Fixed Assets

General Fixed Assets are recorded as expenditures and capitalized annually in the General Fixed Assets Account Group in the year purchased. Land and buildings are recorded at their most recent locally assessed valuations while machinery and equipment are recorded at cost or estimated cost. Infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) has not been capitalized.

G. Vacation and Sick Leave

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then current rate of pay. Vacation and sick leave are recorded as expenditures when paid.

H. Insurance

The commonwealth self-insures for casualty, theft, tort claims, and other losses. Such losses are recorded as expenditures when paid.

I. Encumbrances and Designated Fund Balances

Certain unexpended and unencumbered appropriations are carried over to the ensuing fiscal year as "Designated for Continuing Accounts," which represent amounts appropriated for specific programs or projects which were not completed during the fiscal year and certain current operating appropriations which are authorized to be brought forward to the succeeding year.
Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the Governmental Fund Types as a significant aspect of budgetary control. Encumbrances outstanding at year-end are recorded as expenditures for lapsing appropriations and as Reserved Fund Balance for continuing appropriations. Unreserved designated fund balances consist of amounts designated for specific expenditures of subsequent years.

J. Total Columns on Combined Statements

Total columns on the combined statements are presented to aggregate financial data of the fund types and account groups. No consolidating or other eliminations were made in arriving at the totals; thus they do not represent consolidated information.

NOTE 3 — BUDGETARY CONTROL:

The Governor presents an annual budget to the State Legislature, representing estimates of receipts, disbursements and other financing sources and uses anticipated during the coming fiscal year. The Commonwealth's Constitution requires that a balanced budget be submitted by the Governor to the State Legislature. The Legislature, which has full authority to amend the budget, adopts the budget by appropriating monies for expenditure in an annual appropriation bill. The Governor, before signing the bill, may veto any specific item, subject to legislative override.

Changes to this budget may be made via supplemental appropriation bills or other legislative acts which must be approved by the Legislature and signed by the Governor. For the fiscal year ended June 30, 1986, the Legislature approved increases in appropriations aggregating approximately $445,000,000.

The Comptroller's Division has the responsibility to ensure that budgetary control is maintained. Expenditures or advance expenditure commitments (purchase orders) will not be approved by the Comptroller's Division if they exceed the agency's total spending authority, which is a combination of authorized appropriations, prior appropriations continued (PAC), and portions of restricted receipts. In the Budget and Actual statements for the General Fund and Special Revenue Funds, the budget represents the total spending authority. Budget and Actual statements for the Special Revenue Funds are presented for only those funds for which a budget has been adopted.

Funds for service contracts are approved only to the extent that the services will be rendered during the current fiscal year, and only for services rendered after the date formal authorization is received and date stamped by the Comptroller's Division.

Individual Fund Financial Statements
Budgetary Basis — General Fund

COMPARATIVE BALANCE SHEETS — BUDGETARY BASIS
GENERAL FUND
June 30, 1986

	June 30, 1986	June 30, 1985
Assets		
Cash and Short-Term Investments	$ 1,109,501,337	$ 679,086,880
Receivables, Net of Allowance for Uncollectibles:		
Due from Federal Government	88,568,826	—
Total Assets	**$1,198,070,163**	**$ 679,086,880**
Liabilities and Fund Equity		
Liabilities:		
Accounts Payable	$ 342,759,784	$ 234,320,722
Due to Other Funds	127,506,421	—
Total Liabilities	**470,266,205**	**234,320,722**
Fund Equity:		
Fund Balances:		
Reserved for:		
Encumbrances	98,291,746	51,754,545
Unreserved:		
Designated for Continuing Accounts	296,209,525	300,818,524
Undesignated	333,302,687	92,193,089
Total Fund Equity	**727,803,958**	**444,766,158**
Total Liabilities and Fund Equity	**$1,198,070,163**	**$ 679,086,880**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGETARY AND ACTUAL GENERAL FUND

for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Taxes	$ 4,485,060,000	$ 4,782,532,189	$ 297,472,189	$ 4,034,839,297
Assessments	—	20,599,854	20,599,854	17,867,738
Federal Grants and Reimbursements	1,133,667,000	1,216,420,948	82,753,948	1,080,694,151
Departmental	590,954,000	520,019,283	(70,934,717)	448,629,284
Miscellaneous	—	25,399,018	25,399,018	26,381,782
Total Revenues	**6,209,681,000**	**6,564,971,292**	**355,290,292**	**5,608,412,252**
Expenditures:				
Legislature	43,708,421	41,498,239	2,210,182	38,235,196
Inspector General	1,178,235	1,084,608	93,627	1,026,846
Judiciary	54,547,973	54,905,079	(357,106)	49,687,384
Executive	3,900,675	3,827,563	73,112	9,707,853
Secretary of the Commonwealth	9,806,197	10,177,887	(371,690)	13,828,860
Treasurer and Receiver-General	306,716,183	198,141,297	108,574,886	244,699,845
Auditor of the Commonwealth	6,350,408	6,363,619	(13,211)	6,130,466
Attorney General	14,576,498	14,144,062	432,436	12,837,795
Ethics Commission	864,926	774,590	90,336	775,635
Administration and Finance	397,453,035	431,242,289	(33,789,254)	357,586,616
Environmental Affairs	84,212,708	72,571,857	11,640,851	42,944,076
Communities and Development	112,233,527	110,425,986	1,807,541	126,197,052
Human Services	3,629,308,680	3,630,295,719	(987,039)	3,125,106,010
Transportation and Construction	188,147,768	174,528,686	13,619,082	150,787,603
Education	773,673,531	665,158,794	108,514,737	628,491,964
Public Safety	33,750,300	31,669,925	2,080,375	19,754,036
Economic Affairs	31,131,640	30,719,216	412,424	31,418,012
Elder Affairs	114,130,140	126,842,765	(12,712,625)	95,269,835
Consumer Affairs	19,831,615	20,828,229	(996,614)	18,837,842
Energy Resources	2,161,341	2,186,175	(24,834)	1,651,691
Labor	13,146,020	10,094,082	3,051,938	9,391,668
Debt Service:				
Principal Retirement	173,420,763	173,420,763	—	151,339,203
Interest and Fiscal Charges	226,043,829	238,481,481	(12,437,652)	170,173,412
Total Expenditures	**6,240,294,413**	**6,049,382,911**	**190,911,502**	**5,305,878,900**
Excess (Deficiency) of Revenues Over Expenditures	(30,613,413)	515,588,381	546,201,794	302,533,352
Other Financing Sources (Uses):				
Transfers In	76,229,000	105,280,433	29,051,433	58,405,095
Transfers Out	(131,991,000)	(395,739,466)	(263,748,466)	(251,430,001)
Balances Reverted:				
Appropriation-Budgetary	93,209,000	—	(93,209,000)	—
Accounts Payable-Operations	46,441,000	57,908,452	11,467,452	32,389,810
Total Other Financing Sources (Uses)	**83,888,000**	**(232,550,581)**	**(316,438,581)**	**(160,635,096)**
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	53,274,587	283,037,800	229,763,213	141,898,256
Fund Equity at Beginning of Year	444,766,158	444,766,158	—	302,867,902
Fund Equity at End of Year	**$ 498,040,745**	**$ 727,803,958**	**$ 229,763,213**	**$ 444,766,158**

Combining Financial Statements
Budgetary Basis — Special Revenue Funds

COMBINING BALANCE SHEET — BUDGETARY BASIS
ALL SPECIAL REVENUE FUNDS
June 30, 1986

	Local Aid	Highway	Federal Grants	Arts and State Lotteries	Other	Totals 1986	Totals 1985
Assets							
Cash and Short-Term Investments	$ 264,020,652	$ 107,612,018	$ 89,263,023	$ 33,922,527	$ 36,801,424	$ 531,619,644	$ 303,156,958
Receivables, Net of Allowance for Uncollectibles:							
Other Receivables	—	—	—	—	19,733,676	19,733,676	20,403,285
Total Assets	**$ 264,020,652**	**$107,612,018**	**$ 89,263,023**	**$ 33,922,527**	**$ 56,535,100**	**$ 551,353,320**	**$ 323,560,243**
Liabilities and Fund Equity							
Liabilities:							
Accounts Payable	$ 59,869,011	$ 21,374,177	$ 11,159,000	$ —	$ 470,583	$ 92,872,771	$ 54,067,753
Due to Other Funds	117,500,000	—	—	—	—	117,500,000	—
Total Liabilities	**177,369,011**	**21,374,177**	**11,159,000**	**—**	**470,583**	**210,372,771**	**54,067,753**
Fund Equity:							
Fund Balances:							
Reserved for:							
Encumbrances	28,694,041	70,753,321	13,363,143	—	7,117,618	119,928,123	109,057,497
Unreserved:							
Designated for Continuing Accounts	57,957,600	15,484,520	64,740,880	33,922,527	(1,161,296)	170,944,231	140,190,335
Undesignated	—	—	—	—	50,108,195	50,108,195	20,244,658
Total Fund Equity	**86,651,641**	**86,237,841**	**78,104,023**	**33,922,527**	**56,064,517**	**340,980,549**	**269,492,490**
Total Liabilities and Fund Equity	**$ 264,020,652**	**$ 107,612,018**	**$ 89,263,023**	**$ 33,922,527**	**$ 56,535,100**	**$ 551,353,320**	**$ 323,560,243**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGETARY BASIS ALL SPECIAL REVENUE FUNDS

for the fiscal year ended June 30, 1986

	Local Aid	Highway	Federal Grants	Arts and State Lotteries	Other	TOTALS 1986	TOTALS 1985
Revenues:							
Income Taxes	$ 1,434,900,000	$ —	$ —	$ —	$ —	$ 1,434,900,000	$ 1,263,588,433
Sales and Use Taxes	685,254,000	—	—	—	—	685,254,000	575,371,765
Corporate Taxes	321,095,000	—	—	—	—	321,095,000	266,631,831
Other Taxes	1,622,446	281,869,479	—	3,516,436	392,270	287,400,631	283,356,043
Assessments	—	1,706,195	—	—	2,326,956	4,033,151	85,423,410
Federal Grants and Reimbursements	—	16,119,890	824,918,359	—	1,066,420	842,104,669	774,695,251
Departmental	2,047,606	177,887,499	—	1,062,574,181	29,214,404	1,271,723,690	1,037,418,285
Miscellaneous	4,141	105,960	—	—	47,694	157,795	1,755,195
Total Revenues	**2,444,923,193**	**477,689,023**	**824,918,359**	**1,066,090,617**	**33,047,744**	**4,846,668,936**	**4,288,240,213**
Expenditures:							
Judiciary	213,477,163	329,750	339,666	—	1,876,676	216,023,255	193,597,011
Executive	—	—	2,669,460	—	—	2,669,460	4,922,756
Secretary of the Commonwealth	—	—	556,947	—	—	556,947	1,077,565
Treasurer and Receiver General	793,244,518	33,516,857	—	679,561,275	323,585	1,506,646,235	1,232,944,354
Auditor of the Commonwealth	—	2,729,392	—	—	—	2,729,392	2,627,705
Attorney General	—	—	192,034	—	641,001	833,035	509,986
Administation and Finance	312,189,516	19,134,343	2,455,658	—	9,612,814	343,392,331	294,818,453
Environmental Affairs	23,373,204	38,251,700	15,263,678	—	7,248,219	84,136,801	119,694,085
Communities and Development	4,598,172	—	154,334,398	—	2,619,533	161,552,103	147,367,191
Human Services	12,951,320	—	189,010,233	—	—	201,961,553	172,298,769
Transportation and Construction	20,626,207	205,634,195	2,966,091	—	3,372,001	232,598,494	216,479,685
Education	1,344,585,172	—	269,375,611	—	—	1,613,960,783	1,507,693,610
Pubic Safety	717,000	70,784,204	14,966,851	—	—	86,468,055	70,022,962
Economic Affairs	—	—	120,822,673	—	—	120,822,673	108,164,770
Elder Affairs	—	—	20,821,758	—	—	20,821,758	21,517,442
Consumer Affairs	—	2,466,848	50,665	—	—	2,517,513	2,326,376
Energy Resources	—	—	3,071,730	—	—	3,071,730	2,205,493
Labor	—	—	452,776	—	—	452,776	502,656
Debt Service:							
Principal Retirement	5,386,175	48,579,759	—	—	174,000	54,139,934	73,796,068
Interest and Fiscal Charges	3,893,759	52,126,907	—	—	22,146	56,042,812	71,109,966
Total Expenditures	**2,735,042,206**	**473,553,955**	**797,350,229**	**679,561,275**	**25,889,975**	**4,711,397,640**	**4,243,676,903**
Excess (Deficiency) of Revenues Over Expenditures	(290,119,013)	4,135,068	27,568,130	386,529,342	7,157,769	135,271,296	44,563,310
Other Financing Sources (Uses):							
Transfers In	537,497,899	18,264,347	—	—	18,077,646	573,839,892	415,097,822
Transfers Out	(232,407,466)	(15,580,171)	(21,597,671)	(372,931,480)	(3,188,716)	(645,705,504)	(392,029,921)
Accounts Payable Balances Reverted	4,258,380	3,537,912	—	—	286,083	8,082,375	11,519,760
Accounts Receivable Water Resources	—	—	—	—	—	—	862,941
State Assumption of MDC Parks Assessments	—	—	—	—	—	—	(23,339,103)
Total Other Financing Sources (Uses)	**309,348,813**	**6,222,088**	**(21,597,671)**	**(372,931,480)**	**15,175,013**	**(63,783,237)**	**12,111,499**
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	19,229,800	10,357,156	5,970,459	13,597,862	22,332,782	71,488,059	56,674,809
Fund Equity at Beginning of Year	67,421,841	75,880,685	72,133,564	20,324,665	33,731,735	269,492,490	212,817,681
Fund Equity at End of Year	**$ 86,651,641**	**$ 86,237,841**	**$ 78,104,023**	**$ 33,922,527**	**$ 56,064,517**	**$ 340,980,549**	**$269,492,490**

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL
LOCAL AID FUND

for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Taxes	$ 2,338,500,000	$ 2,442,871,446	$ 104,371,446	$ 2,107,589,273
Departmental	1,660,400	2,047,606	387,206	1,213,134
Miscellaneous	—	4,141	4,141	762,420
Total Revenues	**2,340,160,400**	**2,444,923,193**	**104,762,793**	**2,109,564,827**
Expenditures:				
Judiciary	217,316,232	213,477,163	3,839,069	192,369,474
Treasurer and Receiver-General	681,387,342	793,244,518	(111,857,176)	676,846,759
Administration and Finance	330,779,611	312,189,516	18,590,095	263,127,641
Environmental Affairs	27,985,550	23,373,204	4,612,346	1,137,325
Communities and Development	5,495,538	4,598,172	897,366	3,858,229
Human Services	13,001,235	12,951,320	49,915	7,561,681
Transportation and Construction	25,825,716	20,626,207	5,199,509	25,089,672
Education	1,352,413,218	1,344,585,172	7,828,046	1,269,161,397
Public Safety	717,000	717,000	—	—
Debt Service:				
Principle Retirement	—	5,386,175	(5,386,175)	—
Interest and Fiscal Charges	—	3,893,759	(3,893,759)	—
Total Expenditures	**2,654,921,442**	**2,735,042,206**	**(80,120,764)**	**2,439,152,178**
Excess of Expenditures Over Revenues	(314,761,042)	(290,119,013)	24,642,029	(329,587,351)
Other Financing Sources (Uses):				
Transfers In	350,000,000	537,497,899	187,497,899	368,171,716
Transfers Out	—	(232,407,466)	(232,407,466)	(23,414,103)
Balances Reverted:				
Appropriation — Budgetary	6,691,000	—	(6,691,000)	—
Accounts Payable Operations	3,808,000	4,258,380	450,380	5,890,597
Total Other Financing Sources (Uses)	**360,499,000**	**309,348,813**	**(51,150,187)**	**350,648,210**
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	45,737,958	19,229,800	(26,508,158)	21,060,859
Fund Equity at Beginning of Year	67,421,841	67,421,841	—	46,360,982
Fund Equity at End of Year	**$113,159,799**	**$86,651,641**	**$ (26,508,158)**	**$ 67,421,841**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL
HIGHWAY FUND

for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Taxes	$ 282,700,000	$ 281,869,479	$ (830,521)	$ 277,390,635
Assessments	—	1,706,195	1,706,195	1,112,479
Federal Grants and Reimbursements	10,000,000	16,119,890	6,119,890	17,633,432
Departmental	157,370,000	177,887,499	20,517,499	167,992,150
Miscellaneous	—	105,960	105,960	216,993
Total Revenues	**450,070,000**	**477,689,023**	**27,619,023**	**464,345,689**
Expenditures:				
Judiciary	367,200	329,750	37,450	275,968
Treasurer and Receiver-General	35,909,321	33,516,857	2,392,464	35,095,232
Auditor of the Commonwealth	2,721,604	2,729,392	(7,788)	2,627,705
Administration and Finance	18,138,975	19,134,343	(995,368)	17,278,675
Environmental Affairs	40,609,162	38,251,700	2,357,462	35,476,835
Transportation and Construction	212,040,865	205,634,195	6,406,670	183,801,060
Public Safety	77,183,657	70,784,204	6,399,453	69,206,628
Consumer Affairs	2,639,645	2,466,848	172,797	2,317,867
Debt Service:				
Principal Retirement	48,579,759	48,579,759	—	51,097,209
Interest and Fiscal Charges	52,126,907	52,126,907	—	49,017,162
Total Expenditures	**490,317,095**	**473,553,955**	**16,763,140**	**446,194,341**
Excess (Deficiency) of Revenues Over Expenditures	(40,247,095)	4,135,068	44,382,163	18,151,348
Other Financing Sources (Uses):				
Transfers In	54,376,000	18,264,347	(36,111,653)	13,214,951
Transfers Out	(21,509,000)	(15,580,171)	5,928,829	(28,429,821)
Balances Reverted:				
Appropriation-Budgetary	4,410,000	—	(4,410,000)	—
Accounts Payable-Operations	3,108,000	3,537,912	429,912	3,356,720
Total Other Financing Sources (Uses)	**40,385,000**	**6,222,088**	**(34,162,912)**	**(11,858,150)**
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	137,905	10,357,156	10,219,251	6,293,198
Fund Equity at Beginning of Year	75,880,685	75,880,685	—	69,587,487
Fund Equity at End of Year	**$76,018,590**	**$86,237,841**	**$10,219,251**	**$75,880,685**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL
PASSENGER RAIL FUND
for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Departmental	$ 13,606	$ 13,606	$ —	$ —
Total Revenues	**13,606**	**13,606**	**—**	**—**
Expenditures:				
Transportation and Construction	3,000,000	3,365,510	(365,510)	2,684,285
Total Expenditures	**3,000,000**	**3,365,510**	**(365,510)**	**2,684,285**
Excess of Expenditures Over Revenues	(2,986,394)	(3,351,904)	(365,510)	(2,684,285)
Other Financing Sources:				
Transfers In	—	18,000,000	18,000,000	—
Total Other Financing Sources	**—**	**18,000,000**	**18,000,000**	**—**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(2,986,394)	14,648,096	17,634,490	(2,684,285)
Fund Deficit at Beginning of Year	(4,249,394)	(4,249,394)	—	(1,565,109)
Fund Equity (Deficit) at End of Year	**$(7,235,788)**	**$10,398,702**	**$17,634,490**	**$(4,249,394)**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL GOVERNMENT LAND BANK FUND

for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Departmental	$ —	$ 1,678,811	$ 1,678,811	$ 88,698
Miscellaneous	—	—	—	380,657
Total Revenues	—	1,678,811	1,678,811	469,355
Expenditures:				
Administration and Finance	3,272,974	3,272,972	2	11,365,272
Total Expenditures	3,272,974	3,272,972	2	11,365,272
Excess of Expenditures Over Revenues	(3,272,974)	(1,594,161)	1,678,813	(10,895,917)
Other Financing Sources:				
Increase In Accrued Receivable	3,273,000	—	(3,273,000)	—
Total Other Financing Sources	3,273,000	—	(3,273,000)	—
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	26	(1,594,161)	(1,594,187)	(10,895,917)
Fund Equity (Deficit) at Beginning of Year	(3,252,376)	(3,252,376)	—	7,643,541
Fund Deficit at End of Year	$(3,252,350)	$(4,846,537)	$(1,594,187)	$(3,252,376)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL ANTI-TRUST LAW ENFORCEMENT FUND

for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Departmental	$186,706	$326,618	$139,912	$186,706
Total Revenues	**186,706**	**326,618**	**139,912**	**186,706**
Expenditures:				
Attorney General	445,002	400,156	44,846	409,992
Total Expenditures	**445,002**	**400,156**	**44,846**	**409,992**
Excess of Expenditures Over Revenues	(258,296)	(73,538)	184,758	(223,286)
Other Financing Sources:				
Balances Reverted:				
Appropriation-Budgetary	27,000	—	(27,000)	—
Accounts Payable-Operations	37,000	32,692	(4,308)	2,337
Total Other Financing Sources	**64,000**	**32,692**	**(31,308)**	**2,337**
Excess of Expenditures Over Revenues and Other Financing Sources	(194,296)	(40,846)	153,450	(220,949)
Fund Equity (Deficit) at Beginning of Year	(65,838)	(65,838)	—	155,111
Fund Deficit at End of Year	**$(260,134)**	**$(106,684)**	**$(153,450)**	**$(65,838)**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL
INTER-CITY BUS CAPITAL ASSISTANCE FUND
for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Departmental	$63,000	$178,063	$115,063	$3,867
Total Revenues	**63,000**	**178,063**	**115,063**	**3,867**
Expenditures:				
Debt Service:				
Principal Retirement	435,000	—	435,000	—
Interest and Fiscal Charges	335,096	—	335,096	—
Total Expenditures	**770,096**	**—**	**770,096**	**—**
Excess (Deficiency) of Revenues Over Expenditures	(707,096)	178,063	885,159	3,867
Fund Equity at Beginning of Year	3,867	3,867	—	—
Fund Equity (Deficit) at End of Year	**$(703,229)**	**$181,930**	**$885,159**	**$3,867**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL
NON-GAME WILDLIFE FUND
for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Federal Grants and Reimbursements	$ 9,000	$ —	$ (9,000)	$ —
Departmental	278,400	213,285	(65,115)	261,745
Miscellaneous	2,800	—	(2,800)	2,898
Total Revenues	**290,200**	**213,285**	**(76,915)**	**264,643**
Expenditures:				
Environmental Affairs	297,436	149,366	148,070	192,159
Total Expenditures	**297,436**	**149,366**	**148,070**	**192,159**
Excess (Deficiency) of Revenues Over Expenditures	(7,236)	63,919	71,155	72,484
Other Financing Sources (Uses):				
Transfers In	—	—	—	771
Transfers Out	—	—	—	(771)
Balances Reverted:				
Appropriation-Budgetary	105,000	—	(105,000)	—
Accounts Payable-Operations	—	103,139	103,139	—
Total Other Financing Sources (Uses)	**105,000**	**103,139**	**(1,861)**	**—**
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	97,764	167,058	69,294	72,484
Fund Equity at Beginning of Year	410,554	410,554	—	338,070
Fund Equity at End of Year	**$508,318**	**$577,612**	**$69,294**	**$410,554**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL VICTIM AND WITNESS ASSISTANCE FUND

for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Departmental	$ 2,328,770	$ 3,479,487	$ 1,150,717	$ 2,286,512
Total Revenues	**2,328,770**	**3,479,487**	**1,150,717**	**2,286,512**
Expenditures:				
Judiciary	2,100,000	1,876,676	223,324	724,767
Attorney General	252,894	240,845	12,049	99,994
Total Expenditures	**2,352,894**	**2,117,521**	**235,373**	**824,761**
Excess (Deficiency) of Revenues Over Expenditures	(24,124)	1,361,966	1,386,090	1,461,751
Other Financing Sources:				
Balances Reverted:				
Appropriation-Budgetary	262,000	—	(262,000)	—
Accounts Payable-Operations	—	18,838	18,838	—
Total Other Financing Sources	**262,000**	**18,838**	**(243,162)**	**—**
Excess of Revenues and Other Financing Sources Over Expenditures	237,876	1,380,804	1,142,928	1,461,751
Fund Equity at Beginning of Year	1,598,807	1,598,807	— —	137,056
Fund Equity at End of Year	**$1,836,683**	**$2,979,611**	**$1,142,928**	**$1,598,807**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL
INLAND FISHERIES AND GAME FUND
for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Taxes	$ 400,000	$ 392,270	$ (7,730)	$ 385,122
Federal Grants and Reimbursements	1,804,000	1,066,420	(737,580)	1,305,102
Departmental	4,297,000	4,283,402	(13,598)	4,329,775
Miscellaneous	189,000	19,725	(169,275)	3,694
Total Revenues	**6,690,000**	**5,761,817**	**(928,183)**	**6,023,693**
Expenditures:				
Treasurer and Receiver-General	387,455	323,585	63,870	381,092
Environmental Affairs	5,954,042	4,856,745	1,097,297	4,771,041
Debt Service:				
Principal Retirement	174,000	174,000	—	194,000
Interest and Fiscal Charges	22,146	22,146	—	33,232
Total Expenditures	**6,537,643**	**5,376,476**	**1,161,167**	**5,379,365**
Excess of Revenues Over Expenditures	152,357	385,341	232,984	644,328
Other Financing Sources (Uses):				
Transfers In	75,000	77,646	2,646	135,023
Transfers Out	(303,000)	(217,857)	85,143	(283,825)
Balances Reverted:				
Appropriation-Budgetary	236,000	—	(236,000)	88,951
Accounts Payable-Operations	78,000	123,216	45,216	—
Total Other Financing Sources (Uses)	**86,000**	**(16,995)**	**(102,995)**	**(59,851)**
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	238,357	368,346	129,989	584,477
Fund Equity at Beginning of Year	949,047	949,047	—	364,570
Fund Equity at End of Year	**$1,187,404**	**$1,317,393**	**$129,989**	**$949,047**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL
MOSQUITO AND GREENHEAD FLY CONTROL FUND
for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Assessments	$ 2,327,000	$ 2,326,956	$ (44)	$ 2,270,069
Departmental	815,000	227,537	(587,463)	210,018
Miscellaneous	—	24,377	24,377	9,145
Total Revenues	**3,142,000**	**2,578,870**	**(563,130)**	**2,489,232**
Expenditures:				
Administration and Finance	—	—	—	64,000
Environmental Affairs	2,013,157	1,676,225	336,932	2,497,109
Total Expenditures	**2,013,157**	**1,676,225**	**336,932**	**2,561,109**
Excess (Deficiency) of Revenues Over Expenditures	1,128,843	902,645	(226,198)	(71,877)
Other Financing Sources (Uses):				
Operating Transfers Out	—	(203,055)	(203,055)	(230,065)
Balances Reverted:				
Appropriation-Budgetary	60,000	—	(60,000)	49,400
Accounts Payable-Operations	39,000	8,198	(30,802)	—
Total Other Financing Sources (Uses)	**99,000**	**(194,857)**	**(293,857)**	**(180,665)**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	1,227,843	707,788	(520,055)	(252,542)
Fund Equity at Beginning of Year	127,987	127,987	—	380,529
Fund Equity at End of Year	**$1,355,830**	**$835,775**	**$(520,055)**	**$127,987**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY — BUDGET AND ACTUAL
STATE RECREATION AREAS FUND
for the fiscal year ended June 30, 1986

	1986 Budget	1986 Actual	Variance Favorable (Unfavorable)	1985 Actual
Revenues:				
Assessments	$ —	$ —	$ —	$ 17,108,653
Departmental	—	—	—	5,412,790
Miscellaneous	—	—	—	50,495
Total Revenues	—	—	—	**22,571,938**
Expenditures:				
Treasurer and Receiver-General	—	—	—	952,730
Environmental Affairs	—	—	—	640,000
Communities and Development	—	—	—	18,726,264
Debt Service:				
Principal Retirement	—	—	—	3,373,492
Interest and Fiscal Charges	—	—	—	3,061,952
Total Expenditures	—	—	—	**26,754,438**
Excess of Expenditures Over Revenues	—	—	—	(4,182,500)
Other Financing Sources (Uses):				
Transfers In	—	—	—	578,911
Transfers Out	(2,072,000)	(2,025,393)	46,607	(819,806)
Balances Reverted:				
Accounts Payable-Operations	349,000	—	(349,000)	389,942
Total Other Financing Sources (Uses)	**(1,723,000)**	**(2,025,393)**	**(302,393)**	**149,047**
Excess of Expenditures and Other Uses Over Revenues and Other Financing Sources	(1,723,000)	(2,025,393)	(302,393)	(4,033,453)
Fund Equity at Beginning of Year	1,605,511	1,605,511	—	5,638,964
Fund Equity (Deficit) at End of Year	**$ (117,489)**	**$ (419,882)**	**$ (302,393)**	**$ 1,605,511**

Combining Financial Statements
Budgetary Basis — Capital Projects Funds

COMBINING BALANCE SHEET — BUDGETARY BASIS
CAPITAL PROJECTS FUNDS
June 30, 1986

	General	Highway	Federal	Other	Totals 1986	Totals 1985
Assets						
Cash and Short-Term Investments	$ —	$ —	$170,376,442	$ 3,873	$ 170,380,315	$ 140,279,969
Investment in MCDFC	10,000,000	—	—	—	10,000,000	10,000,000
Receivables, Net of Allowance for Uncollectibles:						
Due from Federal Government	—	—	25,734,173	—	25,734,173	23,494,577
Other Receivables	—	—	—	—	—	31,207,832
Bonds Authorized-Unissued	2,063,787,084	803,670,583	—	834,160,735	3,701,618,402	2,412,880,341
Total Assets	**$2,073,787,084**	**$803,670,583**	**$196,110,615**	**$834,164,608**	**$3,907,732,890**	**$2,617,862,719**
Liabilities and Fund Equity						
Liabilities:						
Deficiency in Cash and Short-Term Investments	$ 32,472,878	$ 343,202,202	$ —	$ 40,916,538	$ 416,591,618	$ 258,977,703
Accounts Payable	—	—	—	—	—	145,255
Bonds and Notes Payable	14,500,000	55,300,000	—	—	69,800,000	200,000,000
Total Liabilities	**46,972,878**	**398,502,202**	**—**	**40,916,538**	**486,391,618**	**459,122,958**
Fund Equity:						
Fund Balances:						
Reserved for:						
Encumbrances	562,552,150	85,511,541	285,805,027	19,855,473	953,724,191	902,672,816
Unreserved:						
Designated for Continuing Accounts	1,464,262,056	319,656,840	947,624,911	773,392,597	3,504,936,404	1,732,689,923
Undesignated	—	—	(1,037,319,323)	—	(1,037,319,323)	(476,622,978)
Total Fund Equity	**2,026,814,206**	**405,168,381**	**196,110,615**	**793,248,070**	**3,421,341,272**	**2,158,739,761**
Total Liabilities and Fund Equity	**$2,073,787,084**	**$803,670,583**	**$196,110,615**	**$834,164,608**	**$3,907,732,890**	**$2,617,862,719**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY — BUDGETARY BASIS CAPITAL PROJECTS FUNDS

for the fiscal year ended June 30, 1986

	General	Highway	Federal	Other	Totals 1986	Totals 1985
Revenues:						
Federal Grants and Reimbursements	$ 197,467	$ —	$ 147,303,655	$ —	$ 147,501,122	$ 124,159,186
Departmental	870,402	—	—	5,000	875,402	2,485,673
Total Revenues	**1,067,869**	**—**	**147,303,655**	**5,000**	**148,376,524**	**126,644,859**
Expenditures:						
Legislature	23,747	—	—	—	23,747	850,270
Judiciary	165,360	—	—	—	165,360	765,344
Executive	756,754	—	—	—	756,754	2,761,337
Secretary of the Commonwealth	4,622,290	—	—	—	4,622,290	5,755,371
Treasurer and Receiver-General	—	—	—	—	—	2,790,000
Administration and Finance	30,748,383	1,846	—	105,465	30,855,694	51,259,757
Environmental Affairs	114,239,998	4,632,788	—	29,360,019	148,232,805	138,294,884
Communities and Development	44,725,052	—	—	—	44,725,052	49,422,769
Human Services	57,140,648	—	—	—	57,140,648	59,248,184
Transportation and Construction	12,288,495	97,986,924	205,034,955	2,570	315,312,944	252,742,557
Education	32,849,317	—	—	—	32,849,317	16,558,078
Public Safety	71,225	306,553	—	—	377,778	368,677
Economic Affairs	25,000	—	—	—	25,000	850,000
Energy Resources	1,380,905	—	—	—	1,380,905	1,000,100
Total Expenditures	**299,037,174**	**102,928,111**	**205,034,955**	**29,468,054**	**636,468,294**	**582,667,328**
Excess of Expenditures Over Revenues	(297,969,305)	(102,928,111)	(57,731,300)	(29,463,054)	(488,091,770)	(456,022,469)
Other Financing Sources (Uses):						
Proceeds of General Obligation Bonds	215,017,196	265,081,000	—	—	480,098,196	301,361,569
Increase (Decrease) in Bonds Authorized	403,099,630	229,904,285	—	655,734,146	1,288,738,061	(453,041,520)
Transfers In	84,224	—	202,000,000	—	202,084,224	1,523,050
Transfers Out	(18,088,495)	(202,115,926)	—	(22,779)	(220,227,200)	(2,257,255)
Accounts Receivable-Water Resources	—	—	—	—	—	31,207,832
Total Other Financing Sources (Uses)	**600,112,555**	**292,869,359**	**202,000,000**	**655,711,367**	**1,750,693,281**	**(121,206,324)**
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	302,143,250	189,941,248	144,268,700	626,248,313	1,262,601,511	(577,228,793)
Fund Equity at Beginning of Year	1,724,670,956	215,227,133	51,841,915	166,999,757	2,158,739,761	2,735,968,554
Fund Equity at End of Year	**$2,026,814,206**	**$405,168,381**	**$196,110,615**	**$793,248,070**	**$3,421,341,272**	**$2,158,739,761**

COMMONWEALTH OF MASSACHUSETTS

Combining Financial Statements Budgetary Basis — Fiduciary Fund Types

COMBINING BALANCE SHEET — BUDGETARY BASIS
NON-EXPENDABLE TRUST FUND, PENSION TRUST FUNDS AND AGENCY FUNDS
June 30, 1986

	Non-Expendable	Pension	Agency	Totals 1986	Totals 1985
Assets					
Cash and Short-Term Investments	$ 7,622,419	$ 152,965,325	$ 67,431,042	$ 228,018,786	$ 213,309,077
Investments	—	4,669,801,472	—	4,669,801,472	3,334,407,639
Securities on Deposit	—	—	579,799,819	579,799,819	492,622,617
Due from Other Funds	—	245,006,421	119,221,947	364,228,368	—
Total Assets	**$7,622,419**	**$5,067,773,218**	**$766,452,808**	**$5,841,848,445**	**$4,040,339,333**
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable	$ —	$ —	$ 61,012,128	$ 61,012,128	$ 56,078,171
Due to Other Funds	—	119,221,947	—	119,221,947	—
Liabilities Due Depositors	—	—	705,440,680	705,440,680	498,762,564
Total Liabilities	**—**	**119,221,947**	**766,452,808**	**885,674,755**	**554,840,735**
Fund Equity:					
Reserved for Pension Benefits	—	4,948,551,271	—	4,948,551,271	3,485,498,598
Designated for Specific Purpose	7,622,419	—	—	7,622,419	—
Total Fund Equity	**7,622,419**	**4,948,551,271**	**—**	**4,956,173,690**	**3,485,498,598**
Total Liabilities and Fund Equity	**$7,622,419**	**$5,067,773,218**	**$766,452,808**	**$5,841,848,445**	**$4,040,339,333**

COMBINING BALANCE SHEET — BUDGETARY BASIS
PENSION TRUST FUNDS
June 30, 1986

	State Employees Annuities	State Employees Retirement Military Accumulation	Teachers Annuities	Teachers Retirement Military Accumulation	Pension Reserve	Totals 1986	Totals 1985
Assets							
Cash and Short Term Investments	$ 40,508,678	$ 12,435	$ 111,278,008	$ 1,166,204	$ —	$ 152,965,325	$ 143,584,425
Investments	1,531,849,941	—	1,827,820,235	—	1,310,131,296	4,669,801,472	3,334,407,639
Due from other Funds	—	—	—	—	245,006,421	245,006,421	—
Total Assets	**$1,572,358,619**	**$12,435**	**$1,939,098,243**	**$1,166,204**	**$1,555,137,717**	**$5,067,773,218**	**$3,477,992,064**
Liabilities and Fund Equity							
Liabilities:							
Due to other Funds	$ —	$ —	$ —	$ —	$ 119,221,947	$ 119,221,947	$ —
Fund Equity:							
Reserved for Pension Benefits	1,572,358,619	12,435	1,939,098,243	1,166,204	1,435,915,770	4,948,551,271	3,477,992,064
Total Liabilities and Fund Equity	**$1,572,358,619**	**$12,435**	**$1,939,098,243**	**$1,166,204**	**$1,555,137,717**	**$5,067,773,218**	**$3,477,992,064**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY — BUDGETARY BASIS
PENSION TRUST FUNDS
for the fiscal year ended June 30, 1986

	State Employees Annuities	State Employees Retirement Military Accumulation	Teachers Annuities	Teachers Retirement Military Accumulation	Pension Reserve	Totals 1986	Totals 1985
Revenues:							
Contributions	$ 133,659,647	$ —	$ 93,117,957	$ —	$ 170,474,169	$ 397,251,773	$ 116,225,488
Investment Earnings	324,605,811	—	348,836,730	85,137	242,643,058	916,170,736	889,746,141
Total Revenues	**458,265,458**	**—**	**441,954,687**	**85,137**	**413,117,227**	**1,313,422,509**	**1,005,971,629**
Expenses:							
Education	—	—	42,329,051	5,295	—	42,334,346	52,613,756
Other Governmental Charges	61,774,630	—	—	—	119,221,947	180,996,577	61,690,953
Total Expenses	**61,774,630**	**—**	**42,329,051**	**5,295**	**119,221,947**	**223,330,923**	**114,304,709**
Excess of Revenues Over Expenses	396,490,828	—	399,625,636	79,842	293,895,280	1,090,091,586	891,666,920
Other Financing Sources (Uses):							
Transfers In	642,827	—	219,527	—	446,549,305	447,411,659	171,627,628
Transfers Out	(66,301,211)	—	(642,827)	—	—	(66,944,038)	(936,418)
Total Other Financing Sources (Uses)	**(65,658,384)**	**—**	**(423,300)**	**—**	**446,549,305**	**380,467,621**	**170,691,210**
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	330,832,444	—	399,202,336	79,842	740,444,585	1,470,559,207	1,062,358,130
Fund Equity at Beginning of Year	1,241,526,175	12,435	1,539,895,907	1,086,362	695,471,185	3,477,979,629	2,415,621,499
Fund Equity at End of Year	**$1,572,358,619**	**$12,435**	**$1,939,098,243**	**$1,166,204**	**$1,435,915,770**	**$4,948,538,836**	**$3,477,979,629**

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION — BUDGETARY BASIS PENSION TRUST FUNDS

for the fiscal year ended June 30, 1986

	State Employees Annuities	State Employees Retirement Military Accumulation	Teachers Annuities	Teachers Retirement Military Accumulation	Pension Reserve	Totals 1986	Totals 1985
Sources of Financial Resources:							
Net Income	$ 330,832,444	—	$ 399,202,336	$ 79,842	$ 740,444,585	$ 1,470,559,207	$ 1,062,358,130
Increase in Due to Other Funds	—	—	—	—	119,221,947	119,221,947	—
Total Sources of Financial Resources	**330,832,444**	**—**	**399,202,336**	**79,842**	**859,666,532**	**1,589,781,154**	**1,062,358,130**
Uses of Financial Resources:							
Increase in Investments	259,265,469	—	313,203,839	—	762,924,525	1,335,393,833	1,142,395,173
Increase in Due from Other Funds	—	—	—	—	245,006,421	245,006,421	—
Total Uses of Financial Resources	**259,265,469**	**—**	**313,203,839**	**—**	**1,007,930,946**	**1,580,400,254**	**1,142,395,173**
Increase (Decrease) in Cash and Short-Term Investments	**$ 71,566,975**	**—**	**$ 85,998,497**	**$ 79,842**	**$ (148,264,414)**	**$ 9,380,900**	**$ (80,037,043)**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES — BUDGETARY BASIS
ALL AGENCY FUNDS
for the fiscal year ended June 30, 1986

Agency Fund	Beginning Balance	Additions	Deletions	Ending Balance
Liabilities Due Depositors	$ 498,762,564	$ 206,678,116	$ —	$ 705,440,680
Abandoned Property	17,473,082	23,709,889	18,886,642	22,296,329
Court Escrow Deposits	18,350,911	722,074	—	19,072,985
Payroll Witholdings	5,897,528	465,529,340	464,219,842	7,207,026
Other Agency	8,038,560	45,792,562	41,395,334	12,435,788
Totals	**$548,522,645**	**$742,431,981**	**$524,501,818**	**$766,452,808**

Statistical Section

TEN YEAR SCHEDULE OF REVENUES BY SOURCE — BUDGETARY BASIS
ALL GOVERNMENTAL FUND TYPES

(in thousands of dollars)

	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Source:										
Taxes	$ 7,511,181	$ 6,423,787	$ 5,659,551	$ 4,992,353	$ 4,637,466	$ 4,193,981	$ 3,830,970	$ 3,521,084	$ 3,208,787	$ 2,843,043
Federal Reimbursements	1,379,175	1,221,903	1,161,263	1,254,213	1,207,237	1,169,148	1,114,712	1,087,746	951,787	835,374
Federal Grants	826,852	757,646	639,069	618,306	608,142	687,416	712,738	596,574	618,209	484,196
Federal Revenue Sharing	—	—	—	1,546	2,244	36,212	72,729	75,758	88,657	68,133
Fees, Reimbursements, Sales, Etc.	1,316,612	1,119,540	581,243	562,444	455,131	400,252	387,675	307,293	276,526	246,649
Assessments	24,633	108,039	100,004	109,557	100,070	93,622	95,055	90,273	83,718	76,977
Motor Vehicle Licenses and Registrations	150,763	145,479	128,257	118,404	110,993	103,102	64,776	65,706	59,167	62,274
Lottery	350,801	246,903	112,695	97,051	85,586	73,842	63,058	52,560	47,074	53,737
Total Revenues	$11,560,017	$10,023,297	$ 8,382,082	$ 7,753,874	$ 7,206,869	$ 6,757,575	$ 6,341,713	$ 5,796,994	$ 5,333,925	$ 4,670,383

TEN YEAR SCHEDULE OF TAX REVENUES BY SOURCE — BUDGETARY BASIS
ALL GOVERNMENTAL FUND TYPES

(in thousands of dollars)

	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Source:										
Income	$ 3,617,499	$ 3,158,971	$ 2,790,067	$ 2,472,278	$ 2,324,052	$ 2,057,945	$ 1,860,033	$ 1,631,384	$ 1,433,577	$ 1,191,541
Sales and Use	1,711,538	1,438,003	1,248,045	1,051,712	917,362	859,716	745,996	717,710	681,851	594,966
Corporations	799,004	665,928	577,390	506,093	498,002	441,922	438,860	400,640	332,685	324,511
Motor Fuel	288,603	280,759	274,916	250,425	269,297	237,528	212,035	223,739	217,017	214,168
Cigarette	173,540	177,085	169,999	142,912	145,357	148,555	144,018	142,272	142,972	142,759
Insurance	178,762	163,684	134,937	134,890	122,217	114,083	111,517	105,433	103,227	95,314
Inheritance and Estate	210,714	153,602	127,138	111,850	99,355	82,020	78,952	75,312	87,944	71,924
Alcoholic Beverages	89,867	83,547	83,762	82,709	85,059	84,747	80,631	79,979	79,631	77,084
Banks	185,651	139,766	100,227	113,979	70,204	76,505	70,456	55,433	44,913	44,077
State Racing	42,168	36,033	36,828	35,458	33,271	32,268	29,474	28,620	29,831	33,767
Public Service	69,102	45,589	52,017	40,482	30,077	17,642	23,068	27,785	26,328	29,438
Room Occupancy	47,966	35,336	32,224	27,510	24,290	22,094	17,831	15,526	13,539	11,050
Deeds	48,160	29,874	22,318	13,709	12,492	12,967	12,246	12,415	10,728	8,853
Beano	8,791	5,375	5,376	5,227	4,982	4,694	4,357	3,908	3,610	2,764
Sundry	39,816	10,235	4,307	3,069	1,449	1,295	1,496	928	934	827
Total Tax Collections	**$7,511,181**	**$ 6,423,787**	**$ 5,659,551**	**$ 4,992,303**	**$ 4,637,466**	**$ 4,193,981**	**$ 3,830,970**	**$ 3,521,084**	**$ 3,208,787**	**$ 2,843,043**

TEN YEAR SCHEDULE OF EXPENDITURES* — BUDGETARY BASIS
ALL GOVERNMENTAL FUND TYPES

(in millions of dollars)

Type of Expenditures:	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
State Aid	$ 3,299.4	$ 2,949.6	$ 2,627.7	$ 2,421.4	$ 2,246.4	$ 2,016.2	$ 2,009.2	$1,687.2	$1,467.6	$1,302.7
Laboratory, Medical and General Care	2,845.2	2,396.4	2,258.2	2,184.1	2,147.5	2,064.2	1,867.2	1,710.7	1,436.7	1,368.8
Salaries	1,963.8	1,767.4	1,591.8	1,440.4	1,330.2	1,255.9	1,199.2	1,029.8	931.6	835.4
Debt Service	493.5	482.4	446.7	403.1	377.8	438.6	427.6	1,021.2	426.5	670.1
Special Supplies and Expenses	734.3	625.6	399.4	377.2	311.7	327.4	310.9	362.4	258.2	257.0
Services, Non Employees	433.2	384.3	344.6	327.4	317.8	293.2	273.0	168.8	254.6	191.2
Capital Outlay	376.2	303.6	261.2	352.9	333.2	321.2	232.4	228.1	231.4	202.0
Pension and Benefits	401.0	265.3	237.1	204.6	186.9	173.1	156.0	212.9	123.1	102.3
Heat and Other Plant Operations	94.4	105.6	106.2	99.0	104.5	103.6	84.7	60.2	55.6	55.5
Office and Administrative Expenses	85.4	86.1	68.2	60.2	64.9	50.2	50.2	37.7	33.6	30.3
Rentals	112.6	103.7	88.1	67.6	63.2	48.2	39.4	39.3	43.6	33.1
Repairs, Replacements and Alterations	68.7	82.3	61.1	48.2	46.0	47.8	39.1	37.1	30.2	27.6
Equipment	67.1	72.5	36.5	25.1	23.8	32.2	26.9	20.6	11.1	13.8
Travel and Automotive Expenses	47.9	41.9	39.3	27.4	32.9	29.5	24.4	19.7	17.9	16.9
Advertising and Printing	32.1	33.3	24.7	18.7	16.8	18.5	17.7	15.6	11.3	13.1
Food for Persons	36.6	40.5	36.7	27.1	15.1	14.4	13.7	12.4	11.5	11.0
Clothing	6.3	6.4	5.9	5.9	5.5	6.2	5.9	4.6	4.0	3.7
Farm and Grounds	12.6	10.9	9.0	10.7	9.6	7.1	5.0	7.9	6.9	5.7
Housekeeping Supplies and Expenses	7.7	7.6	7.0	6.8	6.6	5.8	4.2	3.3	3.0	2.8
Total Expenditures	**$11,118.0**	**$ 9,765.4**	**$ 8,649.4**	**$8,107.8**	**$ 7,640.4**	**$7,253.3**	**$ 6,786.7**	**$6,679.5**	**$ 5,358.4**	**$5,143.0**

* As reported by the spending agency.

TEN YEAR SCHEDULE OF RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL EXPENDITURES BUDGETARY BASIS ALL GOVERNMENTAL FUND TYPES

Fiscal Year Ended June 30,	Total Debt Service (1)	Total Expenditures (2)	Ratio
1986	$ 439,182,778	$11,397,248,845	.039
1985	466,418,649	10,132,223,131	.046
1984	439,899,102	8,970,086,553	.049
1983	400,035,291	8,432,863,575	.047
1982	373,404,365	7,881,340,687	.047
1981	395,534,888	7,152,864,443	.055
1980	433,619,238	6,787,826,065	.064
1979	1,021,172,176	6,902,826,652	.148
1978	426,527,759	5,525,732,651	.077
1977	670,105,285	5,298,930,344	.126

(1) Includes principal and interest payments related to general long-term debt.

(2) General, Special Revenue and Capital Projects

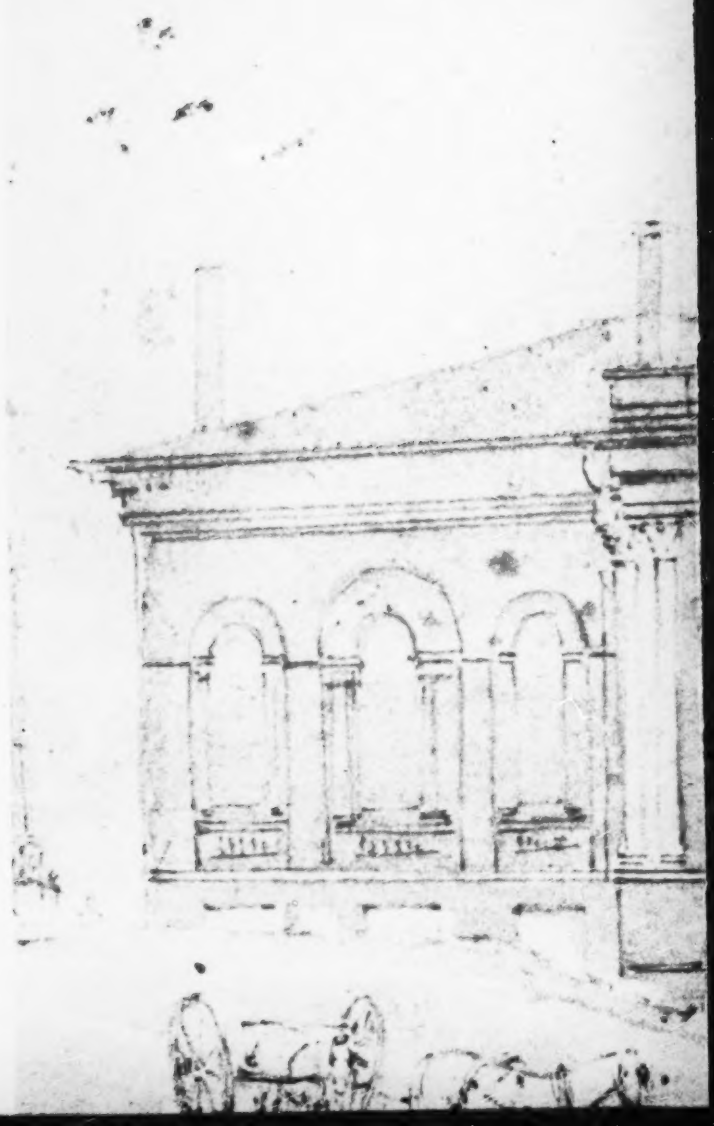
PER CAPITA LONG-TERM DEBT
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population (1) (in thousands)	Total Long Term Debt	Per Capita Long Term Debt
1986	5,745	$ 3,676,997	$ .640
1985	5,745	3,424,647	.596
1984	5,737	3,346,000	.583
1983	5,737	3,181,610	.555
1982	5,737	2,920,486	.509
1981	5,737	2,812,483	.490
1980	5,737	2,828,895	.493
1979	5,689	2,850,906	.501
1978	5,689	2,839,305	.499
1977	5,689	2,851,301	.501

(1) 1975 State Census 5,689
1980 Federal Census 5,737
1985 State Census 5,745

This financial report is submitted to the General Court in compliance with section 33 of chapter 7 of the General Laws (ter.ed.). Detailed information relating to these statements will be contained in Public Document 140 which will be filed at a later date with the Secretary of State as required by section 34 of said chapter 7.

Graphics: Spencer Design Cover Photograph: *Greig Cranna*



The cover background is a watercolor drawing by J.R. Smith of the north facade of the Capital (1811–1812).